

**ARAMEX PJSC AND ITS SUBSIDIARIES**

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

**FOR THE YEAR ENDED  
31 DECEMBER 2020**

## **ARAMEX PJSC AND ITS SUBSIDIARIES**

### **Report of the directors' and consolidated financial statements for the year ended 31 December 2020**

<b>Contents</b>	<b>Pages</b>
<b>Report of the Directors'</b>	<b>1 - 2</b>
<b>Independent auditor's report</b>	<b>3 - 10</b>
<b>Consolidated statement of financial position</b>	<b>11</b>
<b>Consolidated statement of income</b>	<b>12</b>
<b>Consolidated statement of comprehensive income</b>	<b>13</b>
<b>Consolidated statement of changes in equity</b>	<b>14 - 15</b>
<b>Consolidated statement of cash flows</b>	<b>16 - 17</b>
<b>Notes to the consolidated financial statements</b>	<b>18 - 90</b>

**Dear valued shareholder,**

We are pleased to report that Aramex produced a stable financial performance in a year punctured with challenges and uncertainty. Our Revenues were up 9% compared to 2019, to a record AED 5,510 million. While Net Income fell 46% to AED 267 million, this was mainly owed to non-core business activities and one-off events, therefore on a like-for-like basis Net Income would have been AED 377.6 million.

In 2020, Aramex demonstrated its operational resilience and agility to respond swiftly to fast-changing operational conditions thanks to our ongoing efforts and investments in our digital infrastructure, disciplined financial approach, diversified business model, and determined management and teams. Moreover, over the last 12 months, Aramex reinforced its reputation as a trusted brand that can deliver high levels of service in a reliable, safe, and timely manner under unprecedented circumstances.

One of the most critical and sudden changes to our business in 2020 was significantly higher levels of Domestic Express volumes and the accelerated demand for last-mile services. We were well-prepared to swiftly scale and service the unexpected surge in e-commerce activity, which afforded us the opportunity to capture greater market share in our core markets, further cementing our market dominance. However, over the course of the year, the greatest challenge was managing line haul operations and associated costs. While the innovative and problem-solving mindset of our teams enabled us to resolve those challenges with minimal impact on our service level, it came at an additional cost. As such, we are currently reassessing our asset-light approach and are considering various options to reconfigure our cross-border operations in a strategic, cost-effective, and sustainable manner.

As the world shifts focus to various vaccination programs, we are incredibly proud to be part of such a critical undertaking. In late 2020, we joined the Hope Consortium, an Abu Dhabi-led public-private partnership to help distribute billions of vaccines to over 170 countries. Our participation is a strong testament of our capabilities, international presence and the confidence the government of Abu Dhabi has in our Company.

Looking ahead, we believe global macro-economic conditions will continue to improve as the global vaccine program gathers pace, boosting global business confidence and encouraging a resumption of business activities to pre-COVID-19 levels. However, there are certain sectors we believe will fare better than others and are considered a key driver for our growth, specifically, e-commerce. To that end we will continue to invest in scaling our operations with focus on the last mile infrastructure and relevant technologies to improve efficiencies and demonstrate our leadership in customer service excellence. On the B2B side, we believe various industries will have differing recovery paths and timelines, with some witnessing a paradigm shift in their fundamentals. However, on balance we believe that certain sectors such as healthcare, FMCG, aerospace and defense will support our expansion and diversification strategy, and we are therefore targeting those sectors more aggressively in 2021.

Supply-side, we anticipate a consolidation of market participants, creating stronger, more efficient, and technology-powered logistics service providers that are better able to offer customized solutions. We have the financial and liquidity firepower to enable us to capture value accretive opportunities in the near future.

We would like to extend our sincerest appreciation to all our stakeholders, including our shareholders, employees, customers and business partners for continuing to be key drivers of growth of Aramex's business, network and brand.

Sincerely yours,

**Captain Mohamed Juma Alshamsi**  
**Chairman**  
**Aramex PJSC**





## Independent auditor's report to the shareholders of Aramex PJSC

### Report on the audit of the consolidated financial statements

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#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aramex PJSC (the "Company") and its subsidiaries (together referred to as the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### Independence

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



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

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

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### Our audit approach

#### Overview

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

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

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### Key audit matters

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



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

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

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Revenue recognition</i>	
<p>The Group focuses on revenues as a key performance measure and as a driver for growth and expansion. For the year ended 31 December 2020, the Group had revenue of AED 5.5 billion (2019: AED 5.1 billion) - Note 28.</p> <p>Due to the materiality of the amounts involved, diversity of the Group's geographical footprint, and susceptibility of such revenues to overstatement/understatement and fraud risk, we assess revenue recognition as a key audit matter.</p>	<p>Our audit procedures performed in relation to revenue recognition included</p> <ul style="list-style-type: none"><li>• considering the appropriateness and testing the consistency of the Group's revenue recognition policies;</li><li>• assessing the compliance of such policies with the applicable International Financial Reporting Standards;</li><li>• reviewing the control environment and on a sample basis, testing internal controls over revenue recognition;</li><li>• obtaining a representative sample of transactions and testing their occurrence, accuracy and recognition;</li><li>• selecting a sample of transactions before and after the year end to verify recognition in the current reporting period;</li><li>• performing substantive analytical procedures to identify inconsistencies and/or unusual movements during the year; and</li><li>• assessing the adequacy of the Group's disclosures in the consolidated financial statements in connection with revenue recognition.</li></ul>



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

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

#### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill</i></p> <p>As at 31 December 2020, the Group had goodwill of AED 1,136 million (2019: AED 1,128 million) - Note 8. As required by IAS 36 – Impairment of Assets, the Group is required to annually test goodwill for impairment.</p> <p>Management's assessment process is complex and highly judgemental, and is based on assumptions, in particular the discount rate and growth rate estimates which are affected by expected future market or economic conditions. Any changes in assumptions could result in impairment of the goodwill. Accordingly, we consider goodwill impairment to be a key audit matter.</p>	<p>Our audit procedures performed in relation to the assessment impairment of goodwill included</p> <ul style="list-style-type: none"> <li>• testing the integrity of the model and on a sample basis the cash flow forecasts and assessed that the methodology used is consistent with IAS 36;</li> <li>• assessing the appropriateness of forecast revenue and net operating profit before taxes growth rates through comparison to historical data;</li> <li>• assessing the appropriateness of weighted average cost of capital through comparison with external economic benchmarking data to determine if it provided corroborative or contradictory evidence in relation to management's assumptions;</li> <li>• with the involvement of our internal valuation expert, we assessed the discount rate assumptions and the mathematical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36; and</li> <li>• assessing the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.</li> </ul>





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

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

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#### Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, 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.

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

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

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

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

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



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

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

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

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

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

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





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

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

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

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

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

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

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

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

### Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Report of the Directors is consistent with the books of account of the Group;
- (v) Notes 12, 13, and 14 to the consolidated financial statements disclose the Group's investments in shares during the year ended 31 December 2020;
- (vi) Note 33 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- (vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its consolidated statement of financial position as at 31 December 2020; and
- (viii) as disclosed in Note 30 to the consolidated financial statements, the Group has made social contributions during the year ended 31 December 2020.

PricewaterhouseCoopers  
16 March 2021



Rami Sarhan  
Registered Auditor Number 1152  
Dubai, United Arab Emirates

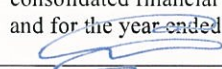


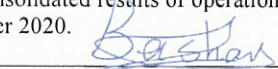


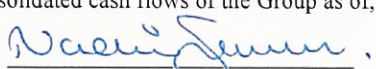
**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

		As at 31 December	
	Note	2020 AED'000	2019 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	956,755	1,005,085
Right of use assets	7	890,129	854,112
Goodwill	8	1,135,511	1,128,337
Other intangible assets	9	216,405	214,241
Investment in joint ventures and associates	12,13	39,803	26,631
Financial assets at fair value through other comprehensive income	14	25,451	32,656
Deferred tax assets	15	7,786	7,359
Other non-current assets		4,800	5,536
		<u>3,276,640</u>	<u>3,273,957</u>
<b>Current assets</b>			
Accounts receivable, net	16	1,093,927	1,196,466
Other current assets	17	271,874	272,323
Margins and bank deposits	18	252,359	260,740
Cash and bank balances	18	1,002,407	739,318
		<u>2,620,567</u>	<u>2,468,847</u>
Assets held for sale	11	217,963	-
<b>TOTAL ASSETS</b>		<u>6,115,170</u>	<u>5,742,804</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	1,464,100	1,464,100
Statutory reserve	20	408,929	367,095
Foreign currency translation reserve	20	(344,425)	(398,720)
Reserve arising from acquisition of non-controlling interests	20	(335,186)	(335,186)
Reserve arising from other comprehensive income items	20	(7,064)	272
Retained earnings		1,504,306	1,519,928
		<u>2,690,660</u>	<u>2,617,489</u>
<b>Equity attributable to equity holders of the Parent</b>		<u>2,690,660</u>	<u>2,617,489</u>
Non-controlling interests		16,301	15,053
<b>Total equity</b>		<u>2,706,961</u>	<u>2,632,542</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	22	162,000	157,636
Lease liabilities	7	701,190	673,020
Employees' end of service benefits	23	149,187	146,983
Deferred tax liabilities	15	58,359	49,515
		<u>1,070,736</u>	<u>1,027,154</u>
<b>Current liabilities</b>			
Accounts payable	24	328,879	266,814
Lease liabilities	7	186,548	189,849
Bank overdrafts	25	68,059	151,204
Interest-bearing loans and borrowings	22	542,841	582,510
Income tax provision	15	78,165	86,995
Other current liabilities	26	1,038,975	805,736
		<u>2,243,467</u>	<u>2,083,108</u>
Liabilities held for sale	11	94,006	-
<b>Total liabilities</b>		<u>3,408,209</u>	<u>3,110,262</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>6,115,170</u>	<u>5,742,804</u>

To the best of our knowledge, the consolidated financial statements present fairly, in all material respects, the consolidated financial position, consolidated results of operation and consolidated cash flows of the Group as of, and for the year ended 31 December 2020.

  
Mohamed Juma Alshamsi  
(Chairman)

  
Bashar Obeid  
(Chief Executive Officer)

  
Nadia Abu Sara  
(Chief Financial Officer)

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

		For the year ended 31 December	
	Note	2020 AED'000	2019 AED'000 (Restated)
<b>Continuing operations</b>			
Rendering of services	28	5,510,299	5,068,145
Cost of services	29	(3,976,508)	(3,412,693)
<b>Gross profit</b>		1,533,791	1,655,452
Selling and marketing expenses		(220,668)	(193,652)
Net impairment loss on accounts receivable	16	(25,319)	(24,783)
Net impairment loss on bank balances	18	(21,301)	-
Administrative expenses	30	(791,926)	(822,351)
Losses on property and customer goods	35	(89,611)	-
Other income, net	31	14,582	5,012
<b>Operating profit</b>		399,548	619,678
Finance income		10,446	11,364
Finance expense		(65,639)	(79,562)
Share of results of joint ventures and associates	12,13	10,998	4,470
<b>Profit before tax from continuing operations</b>		355,353	555,950
Income tax expense	15	(108,951)	(79,326)
<b>Profit for the year from continuing operations</b>		246,402	476,624
<b>Discontinued operations</b>			
Profit after tax for the year from discontinued operations	11	23,293	24,456
<b>Profit for the year</b>		269,695	501,080
<b>Attributable to:</b>			
<i>Equity holders of the Parent</i>			
Profit for the year from continuing operations		244,843	474,069
Profit for the year from discontinued operations		21,809	23,331
		266,652	497,400
<i>Non-controlling interests</i>			
Profit for the year from continuing operations		1,559	2,555
Profit for the year from discounted operations		1,484	1,125
		3,043	3,680
		269,695	501,080
<b>Earnings per share attributable to the equity holders of the Parent:</b>			
Basic and diluted earnings per share from continuing operations	34	AED 0.167	AED 0.324
Basic and diluted earnings per share from discontinued operations	34	AED 0.015	AED 0.016

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	For the year ended 31 December	
		2020 AED'000	2019 AED'000
<b>Profit for the year</b>		<u>269,695</u>	<u>501,080</u>
<b>Other comprehensive income, net of tax:</b>			
<i>Other comprehensive income items to be reclassified to the consolidated statement of income in subsequent periods:</i>			
Gain on debt instruments at fair value through other comprehensive income	14	-	733
Exchange differences on translation of foreign operations		12,106	(38,500)
Impact of hyperinflation		(22,394)	-
		<u>(10,288)</u>	<u>(37,767)</u>
<i>Other comprehensive income items not to be reclassified to the consolidated statement of income in subsequent periods:</i>			
Loss on equity instruments at fair value through other comprehensive income	14	(1,284)	(7,152)
Remeasurements of post-employment benefit obligations through other comprehensive income	20	(1,315)	-
		<u>(2,599)</u>	<u>(7,152)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(12,887)</u>	<u>(44,919)</u>
<b>Total comprehensive income for the year</b>		<u>256,808</u>	<u>456,161</u>
<b>Attributable to:</b>			
Equity holders of the Parent		255,037	463,478
Non-controlling interests		1,771	(7,317)
		<u>256,808</u>	<u>456,161</u>
<b>Total comprehensive income attributable to Equity holders of the Parent arises from:</b>			
Continuing operations		239,044	439,363
Discontinued operations		15,993	24,115
		<u>255,037</u>	<u>463,478</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Atributable to equity holders of the Parent</i>						
	<i>Reserve</i>			<i>Equity attributable to equity holders of the Parent</i>		<i>Non-controlling interests</i> <i>AED '000</i>	<i>Equity</i> <i>AED '000</i>
	<i>Statutory reserve</i> <i>AED '000</i>	<i>Foreign currency translation reserve</i> <i>AED '000</i>	<i>arising from acquisition of non-controlling interests</i> <i>AED '000</i>	<i>Reserve arising from other comprehensive income items</i> <i>AED '000</i>	<i>Retained earnings</i> <i>AED '000</i>		
<i>Share capital</i> <i>AED '000</i>							
At 31 December 2019	1,464,100	367,095	(398,720)	(335,186)	272	1,519,928	2,617,489
Impact of hyperinflation	-	-	63,311	-	-	-	63,311
At 1 January 2020 (adjusted)	1,464,100	367,095	(335,409)	(335,186)	272	1,519,928	2,680,800
Profit for the year	-	-	-	-	-	266,652	266,652
Other comprehensive loss	-	-	(9,016)	-	(2,599)	-	(11,615)
<b>Total comprehensive (loss)/income for the year</b>	-	-	(9,016)	-	(2,599)	266,652	255,037
Directors' fees paid (Note 21)	-	-	-	-	-	(3,600)	(3,600)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	(4,737)	4,737	-
Non-controlling interests	-	-	-	-	-	-	-
Dividends to shareholders (Note 21)	-	-	-	-	-	(241,577)	(241,577)
Transfer to statutory reserve (Note 20)	-	41,834	-	-	-	(41,834)	-
<b>At 31 December 2020</b>	1,464,100	408,929	(344,425)	(335,186)	(7,064)	1,504,306	2,690,660
						16,301	2,706,961

The notes on pages 18 to 90 form an integral part of these consolidated financial statements.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Atributable to equity holders of the Parent</i>						
	<i>Reserve</i>			<i>Equity attributable to equity holders of the Parent</i>		<i>Equity</i>	
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Foreign currency translation reserve</i>	<i>Reserve arising from acquisition of non-controlling interests</i>	<i>Reserve arising from other comprehensive income items</i>	<i>Retained earnings</i>	<i>Non-controlling interests</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>For the year ended 31 December 2019</b>							
At 1 January 2019	1,464,100	314,515	(371,217)	(324,745)	10,252	1,316,764	22,137
Profit for the year	-	-	-	-	-	497,400	3,680
Other comprehensive loss	-	-	(27,503)	-	(6,419)	-	(10,997)
<b>Total comprehensive (loss)/income for the year</b>	-	-	(27,503)	-	(6,419)	497,400	(7,317)
Directors' fees paid (Note 21)	-	-	-	-	-	(3,640)	-
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	(4,026)	4,026	-
Dividends of subsidiaries	-	-	-	-	-	-	(2,053)
Non-controlling interests	-	-	-	-	-	-	2,286
Remeasurements of post-employment benefit obligations	-	-	-	-	465	(465)	-
Dividends in relation to acquisition of non-controlling interest (Note 5)	-	-	-	(10,441)	-	-	-
Dividends to shareholders (Note 21)	-	-	-	-	-	(241,577)	-
Transfer to statutory reserve (Note 20)	-	52,580	-	-	-	(52,580)	-
<b>At 31 December 2019</b>	<b>1,464,100</b>	<b>367,095</b>	<b>(398,720)</b>	<b>(335,186)</b>	<b>272</b>	<b>1,519,928</b>	<b>15,053</b>
						<b>2,617,489</b>	<b>2,632,542</b>

The notes on pages 18 to 90 form an integral part of these consolidated financial statements.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 AED'000	2019 AED'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax from continuing operations		355,353	555,950
Profit before tax from discontinued operations	11	26,569	26,703
<b>Profit before tax</b>		<b>381,922</b>	<b>582,653</b>
<b>Adjustment for:</b>			
Depreciation of property and equipment	6	119,365	108,303
Depreciation of right of use assets	7	240,896	220,722
Amortisation of other intangible assets	9	8,860	4,294
Provision for employees' end of service benefits	23	38,377	28,109
Net impairment loss on financial assets		50,071	28,999
Net finance expense		10,196	24,706
Finance costs – lease liability		48,146	46,960
Employees' benefit plan expense	27	-	1,702
Share of results of joint ventures and associates	12,13	(10,998)	(4,470)
Loss on sale of property and equipment		417	2,419
Loss on property damages	6	1,102	-
		<b>888,354</b>	<b>1,044,397</b>
<b>Working capital adjustments:</b>			
Accounts receivable		44,359	(128,801)
Accounts payable		67,877	(23,822)
Other current assets		(13,820)	13,279
Other current liabilities		267,580	81,630
<b>Net cash flows generated from operating activities before employees' end of service benefit, employees' benefit liability paid and income tax paid</b>		<b>1,254,350</b>	<b>986,683</b>
Employees' end of service benefits paid	23	(22,346)	(20,464)
Employees' benefit plan paid	27	-	(47,380)
Income tax paid	15	(125,260)	(58,923)
<b>Net cash flows generated from operating activities</b>		<b>1,106,744</b>	<b>859,916</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	(138,050)	(159,506)
Proceeds from disposal of property and equipment		3,560	9,315
Financial assets at fair value through other comprehensive income	14	5,349	15,181
Interest received		10,771	12,133
Net cash disposed from discontinued operations	11	(42,115)	-
Acquisition of non-controlling interests		-	(293,808)
Purchase of intangible assets	9	-	(6,856)
Other non-current assets		1,298	898
Margin deposits		(1,316)	(1,719)
Fixed deposits		9,697	(249,466)
Loan granted to joint venture		-	(557)
Investments in joint ventures and associates		-	752
<b>Net cash flows used in investing activities</b>		<b>(150,806)</b>	<b>(673,633)</b>

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 AED'000	2019 AED'000
<b><u>FINANCING ACTIVITIES</u></b>			
Interest paid		(82,399)	(68,684)
Proceeds from loans and borrowings		5,223	734,518
Repayment of loans and borrowings		(35,347)	(448,380)
Principal elements of lease payments		(204,020)	(213,984)
Dividends paid to non-controlling interests		(523)	(1,728)
Dividends paid to former shareholder	5	-	(10,441)
Non-controlling interests		-	1,961
Directors' fees paid		(3,600)	(3,640)
Dividends paid to shareholders		(241,577)	(241,577)
<b>Net cash flows used in financing activities</b>		<b>(562,243)</b>	<b>(251,955)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (before impairment provision)</b>			
		393,695	(65,672)
Net foreign exchange difference		(26,160)	(52,856)
Cash and cash equivalents at 1 January		588,114	706,642
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER (before impairment provision)</b>			
	18	<b>955,649</b>	<b>588,114</b>

**Non-cash transaction:**

Non-cash transactions are disclosed in Note 42.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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## **1 General information**

Aramex PJSC (the “Parent Company” or “Company”) was established as a Public Joint Stock Company on 15 February 2005 and is registered in the Emirate of Dubai, United Arab Emirates under the Federal Decree Law No. 2 of 2015. The consolidated financial statements of the Company as at 31 December 2020 comprise the Parent Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

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

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

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

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

On 17 September 2020, Alpha Oryx Limited, a subsidiary of Abu Dhabi Development Holding Company (“ADQ”) acquired 22.5% of Aramex PJSC’s issued share capital.

The consolidated financial statements was authorised for issue by the Board of Directors on 16 March 2021.

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.1 Basis of preparation** (continued)

The consolidated financial statements have been prepared under a historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies, except for financial assets at fair value through other comprehensive income at fair value and defined benefit pension plans that have been measured the present value of future obligations using the Projected Unit Credit Method. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The Lebanese economy is considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the group's subsidiary, Aramex Lebanon SARL has been expressed in terms of measuring unit current at the reporting date.

**2.2 Changes in accounting policies**

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements. The application of these revised IFRS, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- (a) **Definition of Material – amendments to IAS 1 and IAS 8** - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material.
- (b) **Definition of a Business – amendments to IFRS 3** - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- (c) **IFRIC Revised Conceptual Framework for Financial Reporting** - The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition
  - adding guidance on different measurement basis, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

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

- (d) **Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7 -** These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the condensed interim consolidated statement of income. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

The Group did not have to make retrospective adjustments as a result of adoption of the aforementioned standards.

#### *New and revised IFRS issued and early applied*

- **Amendments to IFRS 16 'Leases' (effective 1 June 2020)** – On 28 May 2020, the IASB issued amendments to IFRS 16, which provide relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. This amendment provide the lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification, in addition it requires the lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient applies only to the rent concession occurring as a direct consequence of the COVID-19 pandemic and only if all the following criteria are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

During the year ended 31 December 2020, the Group has early applied the amendments to IFRS 16 'Leases' ("IFRS 16") retrospectively starting on 1 January 2020. In accordance with the transition provisions in IFRS 16 amendments, the new practical expedient was applied to all rent concessions occurring as a direct consequence of the COVID-19 pandemic meeting the criteria without any impact on retained earnings as on 1 January 2020. As a result, comparatives for the year 2019 financial information are not restated and the information presented for 2019 does not reflect the new requirements of the IFRS 16 amendments, therefore, it is not comparable to the information presented for 2019 under IFRS 16' lease excluding the new practical expedient. The impact on the application of the amended standard is disclosed in Note 7.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.2 Changes in accounting policies (continued)**

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

- (a) IFRS 17, 'Insurance contracts' (effective 1 January 2023);
- (b) Amendments to IAS 1 and IAS 8 (effective 1 January 2022).

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

**2.3 Basis of consolidation**

Subsidiaries

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at 31 December 2020 and 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.3 Basis of consolidation (continued)**

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

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

Changes in the Group's ownership interest in existing subsidiaries

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

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

**2.4 Property and equipment**

Property 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 and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property 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 equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income during the financial period in which they are incurred.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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

**2.4 Property and equipment (continued)**

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

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

Depreciation relating to the property and equipment of Aramex Lebanon SARL is based on restated amounts, which have been adjusted for the effects of hyperinflation.

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

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

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

**2.5 Business combinations and goodwill**

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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

**2.5 Business combinations and goodwill** (continued)

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

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

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

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

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

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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

**2.5 Business combinations and goodwill** (continued)

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.

**2.6 Other intangible assets**

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

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

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

Intangible assets with finite lives are amortised over their economic lives which are between 1 to 15 years.

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

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

**2.7 Investments in associates and joint arrangements**

*(i) Associates*

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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

**2.7 Investments in associates and joint arrangements (continued)**

*(ii) Joint arrangements*

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

*Joint ventures*

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

*(iii) Equity method*

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

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

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

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

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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

**2.7 Investments in associates and joint arrangements (continued)**

*(iii) Equity method (continued)*

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

**2.8 Prepaid agency fees**

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

**2.9 Impairment of non-financial assets**

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

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

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

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

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

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



## **2 Summary of significant accounting policies (continued)**

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

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

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

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

### **2.10 Cash and cash equivalents**

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

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

### **2.11 Accounts receivable**

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

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.11 Accounts receivable (continued)**

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

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

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

**2.12 Financial assets**

Financial assets are classified as follows:

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

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

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

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

**(a) Classification**

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

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.12 Financial assets (continued)**

**(a) Classification (continued)**

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

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

*(ii) Financial assets at amortised cost*

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

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

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

**(b) Initial recognition and subsequent measurement**

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

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

*(i) Debt instruments*

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.12 Financial assets (continued)**

**(b) Initial recognition and subsequent measurement (continued)**

*(i) Debt instruments (continued)*

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

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

*(ii) Equity instruments*

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

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

**(c) Derecognition of financial assets**

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

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

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

## **2 Summary of significant accounting policies (continued)**

### **2.13 Impairment and uncollectibility of financial assets**

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

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

### **2.14 Loans, borrowings and other financial liabilities**

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

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

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

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

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

### **2.15 Accounts payable and accruals**

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



## **2 Summary of significant accounting policies (continued)**

### **2.16 Provisions**

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

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

### **2.17 Employees' end of service benefits**

#### **(i) Short-term obligations**

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

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

#### **(ii) Other long-term employee benefit obligations**

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

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

## **2 Summary of significant accounting policies (continued)**

### **2.17 Employees' end of service benefits (continued)**

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

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

##### *Cash-settled transactions*

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 27. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

### **2.18 Financial liabilities**

#### **Initial recognition and measurement**

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

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

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

#### **(a) Subsequent measurement**

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

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

#### **(b) Derecognition**

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



## **2 Summary of significant accounting policies (continued)**

### **2.19 Social security**

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

### **2.20 Revenue recognition**

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

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

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

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

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

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.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.20 Revenue recognition** (continued)

*Express and shop 'n' ship services revenue*

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

*Freight forwarding revenue*

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

*Revenue from logistics and document storage services*

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

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

**2.21 Interest income**

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

**2.22 Borrowing costs**

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.23 Taxes**

*Current income tax*

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

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

*Deferred tax*

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

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

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

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

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

## **2 Summary of significant accounting policies (continued)**

### **2.23 Taxes (continued)**

#### *Deferred tax (continued)*

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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

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

#### *Sales tax*

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

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

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

### **2.24 Leases**

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

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



## **2 Summary of significant accounting policies (continued)**

### **2.24 Leases (continued)**

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.24 Leases** (continued)

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation relating to Aramex Lebanon SARL is based on restated amounts, which have been adjusted for the effects of hyperinflation. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

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

Rent concessions have been granted to a number of vehicles, property, and equipment leases across the Group, as a result of the COVID-19 pandemic. Rent concessions include payment holidays and deferral of lease payments.

**2.25 Cash dividend**

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

**2.26 Earnings per share**

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



## **2 Summary of significant accounting policies (continued)**

### **2.27 Discontinued operations**

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

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

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

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

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

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

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

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

### **2.28 Offsetting financial instruments**

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

## **2 Summary of significant accounting policies (continued)**

### **2.29 Fair value of financial instruments**

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

### **2.30 Amortised cost of financial instruments**

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

### **2.31 Current versus non-current classification**

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

### **2.32 Foreign currencies**

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.32 Foreign currencies** (continued)

*Transactions and balances*

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

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

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

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

*Group companies*

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

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

The results, cash flows and financial position of the group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current financial year.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

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

**2.33 Hyperinflation**

The financial statements (including comparative amounts) of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

As the presentation currency of the group or the company is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level in the current year. Differences between these comparative amounts and current year hyperinflation adjusted equity balances are recognised in other comprehensive income.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. On initial application of hyperinflation prior period gains and losses are recognised directly in equity. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

Gains or losses on the net monetary position are recognised in profit or loss.

All items recognised in the consolidated statement of income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. If on initial application of hyperinflation accounting the restated value of the non-monetary assets exceed their recoverable amount, the amount in excess of the recoverable amount is recorded as a reduction in retained earnings. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The Lebanese and Iranian economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group subsidiary; Aramex Lebanon SAL has been expressed in terms of the measuring unit current at the reporting date. The impact of IAS 29 on results, cash flows and financial position of Aramex International Co., PJS is insignificant. Impact of applying IAS 29 for the year ended 31 December 2020 has been disclosed in each impacted financial statement line item note.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

### **3 Financial risk management**

#### **3.1 Financial risk factors**

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

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

(a) *Market risk*

(i) *Foreign currency risk*

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

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

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

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

	<i>Changes in currency rate to AED %</i>	<i>Effect on profit before tax AED'000</i>
<b>2020</b>		
EUR	+10	(753)
INR	+10	130
GBP	+10	3,133
EGP	+10	(682)
TRY	+10	(849)
ZAR	+10	84

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**3 Financial risk management** (continued)

**3.1 Financial risk factors** (continued)

(a) *Market risk* (continued)

(i) Foreign currency risk (continued)

	Changes in currency rate to AED %	Effect on profit before tax AED'000
<b>2019</b>		
EUR	+10	(853)
INR	+10	442
GBP	+10	711
EGP	+10	(794)
TRY	+10	(138)
ZAR	+10	25

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

(ii) Price risk

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

(iii) Interest rate risk

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

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

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

	2020 AED'000	2019 AED'000
Variable rate instruments		
+100 bps	(7,034)	(7,473)
- 100 bps	7,034	7,473

(b) *Credit risk*

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

**3 Financial risk management** (continued)

**3.1 Financial risk factors** (continued)

*(b) Credit risk* (continued)

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

*Risk management*

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

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

At 31 December 2020 the Group had 5 customers (2019: 5 customers) that accounted for approximately 33% (2019: 34%) of all the receivables outstanding.

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

*Security*

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

*Impairment of financial assets*

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

- accounts receivable,
- debt investments carried at FVOCI,
- cash and bank balances, and
- margins and bank deposits.

*Accounts receivable*

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

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**3 Financial risk management** (continued)

**3.1 Financial risk factors** (continued)

(b) *Credit risk* (continued)

*Impairment of financial assets* (continued)

*Accounts receivable* (continued)

The expected loss rates are based on the roll rates of receivables over a period of 12 quarter before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current factors affecting the ability of the customers to settle the receivables.

On that basis, the impairment loss as at 31 December 2020 and 31 December 2019 was determined as follows for accounts receivable:

<b>31 December 2020</b>	Between current – 90 days past due	Between 90 – 180 days past due	Between 180 – 270 days past due	Between 270 – 365 days past due	More than 365 days past due	Total
Expected loss rate	2%	13%	39%	56%	100%	7%
Gross carrying amount – Accounts receivable in AED'000	1,040,453	66,314	16,421	12,007	46,530	1,181,725
Expected credit loss in AED'000	19,229	8,897	6,395	6,747	46,530	87,798
Carrying amount in AED'000	<u>1,021,224</u>	<u>57,417</u>	<u>10,026</u>	<u>5,260</u>	<u>-</u>	<u>1,093,927</u>
<b>31 December 2019</b>						
Expected loss rate	1%	12%	42%	50%	100%	8%
Gross carrying amount – Accounts receivable in AED'000	1,118,248	83,563	24,127	12,795	62,225	1,300,958
Expected credit loss in AED'000	15,778	10,076	10,053	6,360	62,225	104,492
Carrying amount in AED'000	<u>1,102,470</u>	<u>73,487</u>	<u>14,074</u>	<u>6,435</u>	<u>-</u>	<u>1,196,466</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

**3 Financial risk management** (continued)

**3.1 Financial risk factors** (continued)

*(b) Credit risk* (continued)

*Impairment of financial assets* (continued)

*Accounts receivable* (continued)

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

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

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

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

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

*Debt investments carried at FVOCI*

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

*Cash and bank balances and margins and bank deposits*

During the year ended 31 December 2020 the impairment loss on cash bank balances amounted to AED 21,301 thousand due to the economic in Lebanon as detailed in Note 18.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**3 Financial risk management** (continued)

**3.1 Financial risk factors** (continued)

*(c) Liquidity risk*

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

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

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

<b>31 December</b> <b>2020</b>	Less than 3 months AED'000	Between 3 – 12 months AED'000	Between 1 and 2 years AED'000	Between 2 and 5 years AED'000	Over 5 years AED'000	Total contractual cash flows AED'000	Carrying amount AED'000
Interest-bearing loans and borrowings	533,814	26,161	23,244	46,895	103,787	733,901	704,841
Lease liabilities	85,056	146,522	156,826	277,112	602,152	1,267,668	887,738
Bank overdrafts	68,341	-	-	-	-	68,341	68,059
Accounts payable, income tax provision, and other current liabilities	<u>1,420,449</u> <u>2,107,660</u>	<u>-</u> <u>172,683</u>	<u>-</u> <u>180,070</u>	<u>-</u> <u>324,007</u>	<u>-</u> <u>705,939</u>	<u>1,420,449</u> <u>3,490,359</u>	<u>1,420,449</u> <u>3,081,087</u>
<b>31 December</b> <b>2019</b>							
Interest-bearing loans and borrowings	158,313	433,444	152,761	6,432	255	751,205	740,146
Lease liabilities	71,560	143,963	168,166	228,253	527,223	1,139,165	862,869
Bank overdrafts	151,894	-	-	-	-	151,894	151,204
Accounts payable, income tax provision, and other current liabilities	<u>1,131,249</u> <u>1,513,016</u>	<u>-</u> <u>577,407</u>	<u>-</u> <u>320,927</u>	<u>-</u> <u>234,685</u>	<u>-</u> <u>527,478</u>	<u>1,131,249</u> <u>3,173,513</u>	<u>1,131,249</u> <u>2,885,468</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

**3 Financial risk management** (continued)

**3.2 Capital risk management**

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

*Loan covenants*

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

**3.3 Fair value estimation**

**Fair values of financial instruments**

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

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

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

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

During the year ended 31 December 2020 and 2019, there are no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at 31 December 2020, items measured at fair value have been measured at level 3 valuation techniques for an amount of AED 25,451 thousand (2019: AED 32,656 thousand), the movement in level 3 is disclosed in Note 14.

Level 3 valuations are reviewed on a quarterly basis by the Group's valuation team. The valuation team considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the valuation team performs back testing and considers which model's results have historically aligned most closely to actual market transactions. In order to value level three equity investments, for the year ended 31 December 2020, the Group utilized the same approach as the prior year to obtain the recent transaction price as a fair value measurement of the investment.

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.

#### **4 Key estimates and judgments**

##### *Provision for expected credit losses of accounts receivable*

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

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

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

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

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.

##### *Useful lives of property and equipment*

The Group's management determines the estimated useful lives of its property 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.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

**4 Key estimates and judgments (continued)**

*Useful lives of property and equipment (continued)*

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

	<i>Changes in useful lives %</i>	<i>Effect on profit before tax AED '000</i>
Leasehold improvements	+10	(1,492)
Buildings	+10	(1,833)
Furniture and fixtures	+10	(470)
Warehousing racks	+10	(777)
Office equipment	+10	(2,289)
Computers	+10	(4,190)
Vehicles	+10	(885)

*Hyperinflation*

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the consolidated financial statements of a group entity becomes necessary. Following management's assessment, the group's subsidiaries, Aramex Lebanon SARL and Armak International Co., PJS have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of Aramex Lebanon SARL and Armak International Co., PJS have been expressed in terms of the measuring units current at the reporting date.

**Aramex Lebanon SARL**

The economy of Lebanon was assessed to be hyperinflationary during 2020, and hyperinflation accounting has been applied since. Upon first application of hyperinflation, net prior period gains of AED 63,311 thousand were recognised directly in equity during 2020. The uplift of the assets on initial adoption resulted in the net asset value of Aramex Lebanon SARL exceeding its estimated recoverable amount.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

**4 Key estimates and judgments (continued)**

*Hyperinflation (continued)*

**Aramex Lebanon SARL (continued)**

The general price index used as published by the International Monetary Fund is as follows:

	Base year	General price index	Inflation rate (%)
31 December 2020	2020	1.54	173.4

The cumulative inflation rate over three years as at 31 December 2020 is 173.4%. The average adjustment factor used for 2020 was 1.54.

**Armak International Co., PJS**

The economy of Iran was assessed to be hyperinflationary during 2020, and hyperinflation accounting has been applied since. Upon first application of hyperinflation, net prior period gains is insignificant.

*Goodwill impairment*

The impairment test is based on the “value in use” calculation. These calculations have used cash flow projections based on actual operating results and future expected performance, refer to Note 8 for the additional key assumptions used in calculating the goodwill impairment.

*Provision for tax*

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

*End of service benefits*

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

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

*Intangible assets with indefinite lives*

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**4 Key estimates and judgments (continued)**

*Lease extension, termination options and incremental borrowing rate*

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2020, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term.

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

**5 Acquisition of non-controlling interests**

**Acquisition of additional interest in Aramex Saudi Company Limited, formerly knows as Tal Saudi Arabia for Commerce and Contracts Co. Ltd., during 2018**

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

Following is a schedule of additional interest acquired in Aramex Saudi Limited Company:

	<i>AED'000</i>
Consideration payable to non-controlling shareholders	244,796
Settlement of debt to acquire additional non-controlling interests	49,012
Subsequent dividends distribution for 2018 profits*	10,441
Less: carrying value of the additional interest in Aramex Saudi Limited Company	(14,152)
Difference recognised as a reserve from acquisition of non-controlling interests	<u>290,097</u>

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**6 Property and equipment**

	Leasehold		Furniture and fixtures		Warehousing racks		Office equipment		Computers		Vehicles		Capital work in progress		Total	
	Land improvements AED '000	Buildings AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
<b>2020</b>																
<b>Cost</b>																
<b>At 1 January 2020</b>	87,815	129,204	587,250	47,600	108,284	237,099	316,037	82,372	23,427	1,619,088						
Impact of hyperinflation	-	8,817	7,615	2,573	3,181	5,335	3,567	4,226	-	35,314						
<b>At 1 January 2020 (adjusted)</b>	87,815	138,021	594,865	50,173	111,465	242,434	319,604	86,598	23,427	1,654,402						
Additions	-	14,826	26	4,847	7,288	29,683	43,238	11,704	29,258	140,870						
Transfers	-	629	-	63	855	4,436	2,154	-	(8,137)	-						
Disposal	-	(3,205)	(2,319)	(1,063)	(880)	(1,783)	(8,253)	(4,868)	-	-						
Losses on property damages	-	-	(1,102)	-	-	-	-	-	-	(22,371)						
Discontinued operations (Note 11)	(3,312)	(12,203)	(40,554)	(3,814)	(48,120)	(31,512)	(24,536)	(1,356)	(2,059)	(167,466)						
Impact of hyperinflation	-	(66)	(3,775)	(179)	(334)	(338)	(27)	(48)	-	(4,767)						
Exchange differences	1,616	550	4,619	114	467	2,275	2026	(814)	-	10,853						
<b>At 31 December 2020</b>	86,119	138,552	551,760	50,141	70,741	245,195	334,206	91,216	42,489	1,610,419						
<b>Depreciation:</b>																
<b>At 1 January 2020</b>	-	64,168	126,184	27,482	43,670	118,259	176,450	57,790	-	614,003						
Impact of hyperinflation	-	1,242	4,231	1,205	414	1,924	3,113	3,321	-	15,450						
<b>At 1 January 2020 (adjusted)</b>	-	65,410	130,415	28,687	44,084	120,183	179,563	61,111	-	629,453						
Charge for the year	-	14,916	18,334	4,700	7,774	22,895	41,898	8,848	-	119,365						
Disposals	-	(2,840)	(876)	(980)	(595)	(1,480)	(6,908)	(2,797)	-	(16,476)						
Discontinued operations (Note 11)	-	(6,645)	(12,014)	(2,732)	(24,688)	(19,865)	(19,146)	(1,205)	-	(86,295)						
Impact of hyperinflation	-	1,600	(870)	61	67	229	157	336	-	1,580						
Exchange differences	-	403	1,416	192	292	1,633	2,147	(46)	-	6,037						
<b>At 31 December 2020</b>	-	72,844	136,405	29,928	26,934	123,595	197,711	66,247	-	653,664						
<b>Net book value:</b>																
<b>At 31 December 2020</b>	86,119	65,708	415,355	20,213	43,807	121,600	136,495	24,969	42,489	956,755						

During the year ended 31 December 2020, an amount of AED 2,820 thousand have been reclassified from right-of-use assets to vehicles in property and equipment.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**6 Property and equipment (continued)**

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**6 Property and equipment (continued)**

Depreciation charge for the year is allocated as follows:

	2020 AED'000	2019 AED'000
Administrative expense (Note 30)	68,313	65,416
Cost of services (Note 29)	38,664	30,885
Discontinued operations	12,388	12,002
	<u>119,365</u>	<u>108,303</u>

**7 Leases**

**Right of use assets**

	Land AED'000	Buildings AED'000	Equipment AED'000	Motor vehicles AED'000	Total AED'000
<b>Cost:</b>					
At 1 January 2019	187,169	550,899	21,308	120,295	879,671
Additions	23,530	133,562	4,104	85,820	247,016
Reclassification	(1,344)	19,234	(17,890)	-	-
Disposals	-	(19,999)	(994)	(29,322)	(50,315)
Exchange differences	-	(3,834)	(220)	(20)	(4,074)
<b>At 31 December 2019</b>	<u>209,355</u>	<u>679,862</u>	<u>6,308</u>	<u>176,773</u>	<u>1,072,298</u>
Impact of hyperinflation	-	42,438	-	7,400	49,838
<b>At 1 January 2020 (adjusted)</b>	<u>209,355</u>	<u>722,300</u>	<u>6,308</u>	<u>184,173</u>	<u>1,122,136</u>
Additions	2,347	234,053	1,122	95,009	332,531
Reclassification	2,592	(1,917)	(192)	(483)	-
Disposals	(1,473)	(106,686)	(419)	(47,742)	(156,320)
Discontinued operations (Note 11)	(18,034)	(40,951)	(170)	(4,800)	(63,955)
Exchange differences	2	14,414	393	838	15,647
Impact of hyperinflation	-	(504)	-	(871)	(1,375)
<b>At 31 December 2020</b>	<u>194,789</u>	<u>820,709</u>	<u>7,042</u>	<u>226,124</u>	<u>1,248,664</u>
<b>Accumulated depreciation:</b>					
At 1 January 2019	-	-	-	28,264	28,264
Charge for the year	9,410	145,469	1,905	63,938	220,722
Reclassification	(1,344)	1,344	-	-	-
Disposals	-	(9,480)	(577)	(21,294)	(31,351)
Exchange rate difference	2	731	23	(205)	551
<b>At 31 December 2019</b>	<u>8,068</u>	<u>138,064</u>	<u>1,351</u>	<u>70,703</u>	<u>218,186</u>
Impact of hyperinflation	-	3,387	-	3,004	6,391
<b>At 1 January 2020 (adjusted)</b>	<u>8,068</u>	<u>141,451</u>	<u>1,351</u>	<u>73,707</u>	<u>224,577</u>
Charge for the year	10,492	157,555	1,949	70,900	240,896
Disposals	(1,080)	(53,990)	(369)	(39,414)	(94,853)
Discontinued operations (Note 11)	(2,577)	(17,867)	(88)	(1,909)	(22,441)
Exchange rate difference	3	2,903	122	390	3,418
Impact of hyperinflation	-	4,799	-	2,139	6,938
<b>At 31 December 2020</b>	<u>14,906</u>	<u>234,851</u>	<u>2,965</u>	<u>105,813</u>	<u>358,535</u>
<b>Net book value:</b>					
<b>At 31 December 2020</b>	<u>179,883</u>	<u>585,858</u>	<u>4,077</u>	<u>120,311</u>	<u>890,129</u>
<b>At 31 December 2019</b>	<u>201,287</u>	<u>541,798</u>	<u>4,957</u>	<u>106,070</u>	<u>854,112</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**7 Leases (continued)**

Depreciation charge for the year is allocated as follows:

	2020 AED'000	2019 AED'000
Administrative expense (Note 30)	69,313	77,375
Cost of services (Note 29)	158,206	128,663
Discontinued operations	13,377	14,684
	<u>240,896</u>	<u>220,722</u>

**Lease liabilities**

	<i>Future minimum lease payments AED'000</i>	<i>Interest AED'000</i>	<i>Present value of minimum lease payments AED'000</i>
<b>2020</b>			
Within one year	231,578	45,030	186,548
After one year	1,036,090	334,900	701,190
<b>Total</b>	<u>1,267,668</u>	<u>379,930</u>	<u>887,738</u>
<b>2019</b>			
Within one year	215,523	25,674	189,849
After one year	923,642	250,622	673,020
<b>Total</b>	<u>1,139,165</u>	<u>276,296</u>	<u>862,869</u>

Lease liabilities measured at present value were unwound during the year ended 31 December 2020 for an amount of AED 45,228 thousand (31 December 2019: AED 43,937 thousand) where a portion amounting to AED 231 thousand was unpaid as of 31 December 2020 (31 December 2019: AED 11,749 thousand).

The impact on the consolidated financial position and the consolidated statement of income on the application of the amendment of IFRS 16 is as follows:

(a) *Impact on the consolidated statement of financial position*

	<i>As previously stated AED'000</i>	<i>Impact on application AED'000</i>	<i>As at 31 December 2020 AED'000</i>
Current	188,438	1,890	186,548
Non-current	701,190	-	701,190
	<u>889,628</u>	<u>1,890</u>	<u>887,738</u>

In accordance with the IFRS 16 amendments, the right of use assets was not impacted on the application of the amendments.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**7 Leases (continued)**

*(b) Impact on the consolidated statement of income*

During the year ended 31 December 2020, an amount of AED 1,890 thousand was recognized as income on the derecognition of lease liabilities on the early application of the new amendments to IFRS 16 within other income/(expenses). The depreciation on the right of use assets was not impacted as a result of this application.

**8 Goodwill**

	2020 AED'000	2019 AED'000
At 1 January	1,128,337	1,124,695
Discontinued operations (Note 11)	(6,438)	-
Exchange differences	13,612	3,642
<b>At 31 December</b>	<b>1,135,511</b>	<b>1,128,337</b>

The Group performed its annual impairment test on 31 December 2020 and 2019. The Group considers the relationship between its market capitalisation and its book value among other factors, when reviewing for indicators of impairment. As at 31 December 2020, the market capitalisation of the Group was above the book value of its equity. The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections from financial forecast approved by board of directors covering a five year period.

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

	2020 AED'000	2019 AED'000
Domestic shipping	498,542	485,736
Express shipping	272,863	271,641
Freight forwarding	169,799	169,038
Documents storage	109,389	117,343
Logistics	75,731	75,392
Publication and distribution	9,187	9,187
	<b>1,135,511</b>	<b>1,128,337</b>

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

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**8 Goodwill (continued)**

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC for the industry which ranges between 9.42% to 12.31% (2019: ranges between 10.37% to 13.25%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates – Growth rate used of 3.3% (2019: 3.3%) is based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory.

**Sensitivity to changes in assumptions**

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

**9 Other intangible assets**

	<i>Customer lists and other intangible assets with definite useful life AED'000</i>	<i>Franchises with indefinite useful life * AED'000</i>	<i>Other intangible assets AED'000</i>	<i>Total AED'000</i>
<b>Cost:</b>				
At 1 January 2019	67,459	180,764	-	248,223
Additions	-	-	6,856	6,856
Exchange differences	-	486	-	486
<b>At 31 December 2019</b>	<b>67,459</b>	<b>181,250</b>	<b>6,856</b>	<b>255,565</b>
Discontinued operations (Note 11)	(10,699)	-	-	(10,699)
Exchange differences	-	12,935	-	12,935
<b>At 31 December 2020</b>	<b>56,760</b>	<b>194,185</b>	<b>6,856</b>	<b>257,801</b>
<b>Amortisation and impairment:</b>				
At 1 January 2018	37,030	-	-	37,030
Amortisation	4,294	-	-	4,294
<b>At 31 December 2019</b>	<b>41,324</b>	<b>-</b>	<b>-</b>	<b>41,324</b>
Amortisation	4,288	-	4,572	8,860
Discontinued operations (Note 11)	(8,788)	-	-	(8,788)
<b>At 31 December 2020</b>	<b>36,824</b>	<b>-</b>	<b>4,572</b>	<b>41,396</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	<b>19,936</b>	<b>194,185</b>	<b>2,284</b>	<b>216,405</b>
<b>At 31 December 2019</b>	<b>26,135</b>	<b>181,250</b>	<b>6,856</b>	<b>214,241</b>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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**9 Other intangible assets (continued)**

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

The Group performed its annual impairment test on 31 December 2020 and 2019. 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 2020, the market capitalization of the Group was above the book value of its equity. The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections from financial forecast approved by board of directors covering a five year period.

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

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

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

Growth rate estimates – Growth rate used of 2.5% (2019: 2.5% - 2.6%) is based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory.

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry of 8.46% to 8.58 % (2019: 8.5% – 10.5%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

*Sensitivity to changes in assumptions*

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**10 Non-controlling interests**

As at 31 December 2020 and 2019, there were no subsidiaries with material non-controlling interest to the Group.

**11 Discontinued operation**

**2020**

On 3 February 2021, the Company entered into a Sale and Purchase Agreement (SPA) to dispose of its 100% equity interest in Information Fort LLC, products of Information Fort LLC, and other group of assets. Information Fort LLC is a leading records and information management provider that operates in the Middle East, North Africa, and Turkey regions.

The 2020 results of the consolidated statement of income and consolidated statement of comprehensive income reflect on the above disposals within results from discontinued operations.

Analysis of results of operations discontinued during the year ended 31 December 2020 is as follows:

	<i>2020</i> <i>AED '000</i>	<i>2019</i> <i>AED '000</i>
Rendering of services	166,759	177,395
Direct costs	<u>(78,896)</u>	<u>(88,489)</u>
<b>Gross profit</b>	87,863	88,906
Selling and marketing expenses	(9,654)	(10,402)
Administrative expenses	(45,153)	(43,592)
Net impairment loss on financial assets	(3,452)	(4,216)
Other income/(expense), net	<u>114</u>	<u>(524)</u>
<b>Operating profit</b>	29,718	30,172
Finance income	324	769
Finance expense	<u>(3,473)</u>	<u>(4,238)</u>
<b>Profit before tax</b>	26,569	26,703
Income tax expense	<u>(3,276)</u>	<u>(2,247)</u>
<b>Profit for the year</b>	23,293	24,456
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>23,293</u>	<u>24,456</u>

**Profit for the year attributable to:**

<i>Equity holders of the Parent</i>	21,809	23,331
<i>Non-controlling interests</i>	<u>1,484</u>	<u>1,125</u>
	<u>23,293</u>	<u>24,456</u>

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**11 Discontinued operation (continued)**

The summarised financial position for Information Fort LLC, which is accounted as disposal group classified as held for sale as at 31 December 2020:

	<i>2020</i>
	<i>AED '000</i>
<b>Assets</b>	
<b>Non-current assets</b>	
Property and equipment	81,171
Right-of-use assets	41,514
Goodwill	6,438
Intangible assets	1,911
Deferred tax assets	885
	<u>131,919</u>
<b>Current assets</b>	
Accounts receivable	29,409
Due from related parties	-
Other current assets	14,520
Cash and bank balances	42,115
	<u>86,044</u>
<b>Total assets</b>	<u>217,963</u>
<b>Liabilities</b>	
<b>Non-current liabilities</b>	
Employees' end of service benefits	14,949
Lease liabilities	33,757
Deferred tax liabilities	1,038
Interest bearing loans and borrowings	4,091
	<u>53,835</u>
<b>Current liabilities</b>	
Trade payables	5,814
Due to related parties	-
Lease liabilities	9,324
Other current liabilities	21,126
Income tax provision	2,818
Interest bearing loans and borrowings	1,089
	<u>40,171</u>
<b>Total liabilities</b>	<u>94,006</u>
<b>Net assets directly associated with disposal group</b>	<u>123,957</u>

Cash flows from discontinued operations

	<i>2020</i>	<i>2019</i>
	<i>AED '000</i>	<i>AED '000</i>
Net cash used in operating activities	50,034	48,974
Net cash used in investing activities	(6,483)	(12,277)
Net cash generated from financing activities	(39,267)	(32,941)
Net cash inflows	<u>4,284</u>	<u>3,756</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**12 Investment in joint ventures**

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

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Book value</i>	
	<i>2020</i>	<i>2019</i>			<i>2020</i>	<i>2019</i>
	<i>%</i>	<i>%</i>			<i>AED '000</i>	<i>AED '000</i>
Aramex Sinotrans Co. LTD	50%	50%	China	Express, freight and logistics services	33,215	15,348
Others	50%	50%	-	-	-	-
					<u>33,215</u>	<u>15,348</u>

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

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

	<i>2020</i>		
	<i>Aramex Sinotrans Co. LTD</i>	<i>Others</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Non-current assets	7,191	55,258	62,449
Current assets*	134,182	17,827	152,009
Non-current liabilities	(2,218)	(59,090)	(61,308)
Current liabilities**	(72,725)	(13,995)	(86,720)
<b>Equity</b>	66,430	-	66,430
Proportion of the Group's ownership	50%	-	50%
<b>Carrying amount of the investment</b>	<u>33,215</u>	<u>-</u>	<u>33,215</u>

\* The current assets of Aramex Sinotrans Co. Ltd include cash at banks amounted to AED 80,482 thousand, accounts receivable amounted to AED 42,394 thousand and other current assets amounted to AED 11,306 thousand.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**12 Investment in joint ventures (continued)**

\*\* The current liabilities of Aramex Sinotrans Co. Ltd include, accruals amounted to AED 32,574 thousand, trade payables amounted to AED 26,426 thousand, other current liabilities amounted to AED 8,794 thousand, tax provisions amounted to AED 2,493 thousand and lease liability of AED 2,438 thousand.

	2019		
	<i>Aramex Sinotrans Co. LTD AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
Non-current assets	5,779	59,240	65,019
Current assets*	68,641	17,667	86,308
Non-current liabilities	(2,863)	(61,527)	(64,390)
Current liabilities**	(40,860)	(15,380)	(56,240)
<b>Equity</b>	30,697	-	30,697
Proportion of the Group's ownership	50%	-	50%
<b>Carrying amount of the investment</b>	15,349	-	15,349

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

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

**Summarised statement of profit or loss of the joint ventures:**

	2020		
	<i>Aramex Sinotrans Co. LTD AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
Revenue	386,732	17,217	403,949
Cost of sale	(310,126)	(6,119)	(316,245)
Administrative expenses	(28,165)	(9,806)	(37,971)
Other expenses	(6,062)	(1,583)	(7,645)
<b>Profit/(loss) before tax</b>	42,379	(291)	42,088
Income tax	(10,649)	-	(10,649)
Profit/(loss) for the year	31,730	(291)	31,439
<b>Group's share of profit/(loss) for the year</b>	15,865	(146)	15,720



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**12 Investment in joint ventures (continued)**

	2019		
	<i>Aramex Sinotrans Co. LTD AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
Revenue	225,557	20,335	245,892
Cost of sale	(183,606)	(8,667)	(192,273)
Administrative expenses	(26,672)	(10,104)	(36,776)
Other expenses	(2,227)	(2,031)	(4,258)
<b>Profit/(loss) before tax</b>	<b>13,052</b>	<b>(467)</b>	<b>12,585</b>
Income tax	(3,326)	-	(3,326)
Profit/(loss) for the year	9,726	(467)	9,259
<b>Group's share of profit/(loss) for the year</b>	<b>4,863</b>	<b>(234)</b>	<b>4,630</b>

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2020 and 2019.

**13 Investment in associates**

The details of the investments in associates were as follows:

	Ownership percentage		Country of incorporation	Nature of activity	Book value	
	2020	2019			2020	2019
	%	%			AED '000	AED '000
Linehaul Express Australia Pty Ltd	34.3%	26.4%	Australia	Domestic services	403	138
WS One Investment LLC	25%	25%	UAE	Express services	5,378	10,483
Aramex Thailand Ltd	49%	49%	Thailand	Logistics and transportation	807	662
					<u>6,588</u>	<u>11,283</u>

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**13 Investment in associates (continued)**

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

	2020			
	<i>Linehaul Express Australia PTY Ltd AED '000</i>	<i>WS One Investment LLC AED '000</i>	<i>Aramex Thailand Ltd AED '000</i>	<i>Total AED '000</i>
Non-current assets	1,335	24,144	948	26,427
Current assets	12,314	15,120	4,000	31,434
Non-current liabilities	(575)	-	(1,731)	(2,306)
Current liabilities	(11,898)	(17,753)	(1,570)	(31,221)
<b>Equity</b>	<b>1,176</b>	<b>21,511</b>	<b>1,647</b>	<b>24,334</b>
Proportion of the Group's ownership	34.3%	25%	49%	-
<b>Group's share</b>	<b>403</b>	<b>5,378</b>	<b>807</b>	<b>6,588</b>
<b>Carrying amount of the investment</b>	<b>403</b>	<b>5,378</b>	<b>807</b>	<b>6,588</b>
	2019			
	<i>Linehaul Express Australia PTY Ltd AED '000</i>	<i>WS One Investment LLC AED '000</i>	<i>Aramex Thailand Ltd AED '000</i>	<i>Total AED '000</i>
Non-current assets	565	25,397	391	26,353
Current assets	6,100	19,942	3,156	29,198
Non-current liabilities	-	(70)	(1,274)	(1,344)
Current liabilities	(6,142)	(3,337)	(924)	(10,403)
<b>Equity</b>	<b>523</b>	<b>41,932</b>	<b>1,349</b>	<b>43,804</b>
Proportion of the Group's ownership	26.4%	25%	49%	-
<b>Group's share</b>	<b>138</b>	<b>10,483</b>	<b>661</b>	<b>11,282</b>
<b>Carrying amount of the investment</b>	<b>138</b>	<b>10,483</b>	<b>661</b>	<b>11,282</b>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**13 Investment in associates (continued)**

	2020			
	<i>Linehaul Express Australia PTY Ltd AED '000</i>	<i>WS One Investment LLC AED '000</i>	<i>Aramex Thailand Ltd AED '000</i>	<i>Total AED '000</i>
Revenue	80,000	106,759	9,751	196,510
Cost of sale	(76,063)	(85,432)	(6,527)	(168,022)
Administrative expenses	(2,996)	(41,746)	(2,941)	(47,683)
Other income	(226)	-	(6)	(232)
<b>Profit/(loss) before tax</b>	<b>715</b>	<b>(20,419)</b>	<b>277</b>	<b>(19,427)</b>
Income tax	-	-	-	-
Profit/(loss) for the year	715	(20,419)	277	(19,427)
<b>Group's share of (loss)/profit for the year</b>	<b>247</b>	<b>(5,105)</b>	<b>136</b>	<b>(4,722)</b>
	2019			
	<i>Linehaul Express Australia PTY Ltd AED '000</i>	<i>WS One Investment LLC AED '000</i>	<i>Aramex Thailand Ltd AED '000</i>	<i>Total AED '000</i>
Revenue	29,650	-	6,844	36,494
Cost of sale	(28,761)	(925)	(3,787)	(33,473)
Administrative expenses	(1,176)	-	(2,978)	(4,154)
Other income	-	-	222	222
<b>(Loss)/profit before tax</b>	<b>(287)</b>	<b>(925)</b>	<b>301</b>	<b>(911)</b>
Income tax	-	-	-	-
(Loss)/profit for the year	(287)	(925)	301	(911)
<b>Group's share of (loss)/profit for the year</b>	<b>(76)</b>	<b>(231)</b>	<b>147</b>	<b>(160)</b>

The associates had no contingent liabilities or capital commitments as at 31 December 2020 and 2019.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**14 Financial assets at fair value through other comprehensive income**

At 31 December 2020, the Group designated investments disclosed in the following table as equity and debt securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Book value</i>	
	<i>2020</i>	<i>2019</i>			<i>2020</i>	<i>2019</i>
	<i>%</i>	<i>%</i>			<i>AED'000</i>	<i>AED'000</i>
<b>Unquoted equity financial assets</b>						
What 3 Words Ltd	1.89	2.04	UK	Global addressing systems	15,241	15,241
Jamalon Inc.	7.49	7.49	British Virgin Islands	Online book retail	6,481	6,481
Gutechno Logistics Private Ltd	5.68	-	India	Local delivery solutions	1,844	1,844
Flirtey Tech Pty Ltd.	1	1	USA	Drone Technology	79	74
Tu Share Pty Ltd	-	4.21	Australia	Courier service provider to small businesses	-	6,630
Mawarid Technology LLC (fully impaired)	1.56	1.56	UAE	Technology Solutions	-	-
<b>Unquoted debt financial assets</b>						
Cell captive			South Africa	Insurance	704	733
Shippify Inc			USA	Food delivery	1,102	1,102
Cash Basha			British Virgin Islands	Online shopping platform	-	551
					<u>25,451</u>	<u>32,656</u>

For equity instruments at fair value through OCI, gains and losses on these financial assets are never recycled to the consolidated statement of income. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment. During 2020 and 2019, the Group invested in and disposed of certain shares and securities for strategic and commercial purposes as shown in the following table:

	<i>2020</i>	<i>2019</i>
	<i>AED'000</i>	<i>AED'000</i>
As at 1 January	32,656	53,787
Disposals	(5,349)	(15,181)
Transfers	(551)	-
Gain from revaluation of debt instruments	-	733
Net loss from revaluation of equity instruments	(1,284)	(7,152)
Exchange differences	(21)	469
	<u>25,451</u>	<u>32,656</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**15 Income tax**

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

**Consolidated statement of income**

	2020 AED'000	2019 AED'000
Current income tax expense	114,072	82,571
Deferred tax	(5,121)	(3,245)
<b>Income tax expense reported in the consolidated statement of income</b>	<b>108,951</b>	<b>79,326</b>

Deferred tax relates to the following:

Provision for expected credit losses	3,629	3,570
Impact of hyperinflation	(8,054)	-
Impact of IFRS 16	4,159	2,270
Depreciation	(8,762)	(8,579)
Employees' end of service benefits	3,871	3,206
Net operating losses carried forward	1,085	2,399
Intangible assets with indefinite useful life	(56,132)	(51,945)
Others	9,631	6,923
	<b>(50,573)</b>	<b>(42,156)</b>

*Recognised as follows:*

As deferred tax assets	7,786	7,359
As deferred tax liabilities	(58,359)	(49,515)
	<b>(50,573)</b>	<b>(42,156)</b>

**Reconciliation of deferred tax liability, net:**

<b>As of 1 January</b>	<b>(42,156)</b>	<b>(44,975)</b>
Deferred tax assets	5,121	3,228
Foreign exchange	(13,538)	(409)
<b>As of 31 December</b>	<b>(50,573)</b>	<b>(42,156)</b>

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**15 Income tax (continued)**

**Reconciliation between accounting profit and taxable profit:**

	2020 AED'000	2019 AED'000
Accounting profit before income tax	355,353	555,950
Non-deductible expenses	125,745	17,461
Taxable profit	481,098	573,411
Income tax expense reported in the consolidated statement of income	108,951	79,326
Effective income tax rate	30.66%	14.27%

Movements on income tax provision were as follows:

	2020 AED'000	2019 AED'000
At 1 January	86,995	66,325
Income tax expense for the year	114,072	82,571
Discontinued operations	2,997	2,230
Income tax paid	(125,260)	(58,923)
Foreign exchange	(639)	(5,208)
<b>At 31 December</b>	<b>78,165</b>	<b>86,995</b>

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

Aramex PJSC is registered in the United Arab Emirates of where there is a zero corporate income taxation. Income tax appearing in the consolidated statement of financial position represents the income tax provision of Group's subsidiaries as of 31 December.

**16 Accounts receivable, net**

	2020 AED'000	2019 AED'000
Accounts receivable	1,181,725	1,300,958
Less: impairment for expected credit losses	(87,798)	(104,492)
	1,093,927	1,196,466

Geographic concentration of accounts receivable as of 31 December is as follows:

	2020 %	2019 %
Middle East and Africa	57	68
Europe	12	8
North America	6	4
Asia and others	25	20



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**16 Accounts receivable, net (continued)**

As at 31 December 2020, Accounts receivable at nominal value of AED 87,798 thousand (2019: AED 104,492 thousand) were impaired. Movement on expected credit losses was as follows:

	2020 AED'000	2019 AED'000
At 1 January	104,492	85,211
Charge for the year, net	25,319	24,783
Amounts written-off	(30,137)	(6,885)
Discontinued operations	(11,292)	4,216
Foreign exchange	(584)	(2,833)
<b>At 31 December</b>	<b>87,798</b>	<b>104,492</b>

See Note 3.1b on credit risk of accounts receivable, which explains how the Group manages and measures credit quality of accounts receivable that are neither past due nor impaired.

**17 Other current assets**

	2020 AED'000	2019 AED'000
Prepaid expenses	40,378	43,290
Advances to suppliers	76,539	69,941
Refundable deposits	44,168	37,202
Withholding tax	29,768	29,607
Other receivables *	81,021	92,283
	<b>271,874</b>	<b>272,323</b>

\* As at 31 December 2020, the Group had other receivables amounting to AED 81,021 thousand (2019: AED 92,283 thousand) that mainly represent stationary, supplies and other receivables.

**18 Cash and cash equivalents**

	2020 AED'000	2019 AED'000
Cash and bank balances	1,002,407	739,318
Margins and bank deposits *	252,359	260,740
	<b>1,254,766</b>	<b>1,000,058</b>

Long-term deposits are held with local and foreign banks. These are long-term in nature with an original maturity of more than three months at an effective interest rate ranging between 2.6% - 2.8% per annum (2019: 2.6% - 2.8% per annum).

Included in cash at banks are amounts totalling AED 736,100 thousand (31 December 2019: AED 581,975 thousand) of cash held at foreign banks abroad and amounts totalling approximately AED 235,228 (2019: AED 192,513 thousand) of cash on delivery collected by the Group on behalf of customers, the same balance was recorded as other current liabilities on the consolidated statement of financial position.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**18 Cash and cash equivalents (continued)**

\* Margins and bank deposits consist of margin deposits of AED 9,276 thousand (2019: AED 7,960 thousand) and long-term deposits with maturities greater than 3 months of AED 243,083 thousand (2019: AED 252,780 thousand).

	2020 AED'000	2019 AED'000
Cash and bank balances	1,023,708	739,318
Less: impairment for expected credit losses	(21,301)	-
	<u>1,002,407</u>	<u>739,318</u>

As at 31 December 2020, cash and cash equivalents of AED 21,301 thousand (2019: AED nil) were impaired for cash at banks in Lebanon. Movement on expected credit losses was as follows:

	2020 AED'000	2019 AED'000
At 1 January	-	-
Charge for the year	21,301	-
<b>At 31 December</b>	<u>21,301</u>	<u>-</u>

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

	2020 AED'000	2019 AED'000
Cash and bank balances	1,002,407	739,318
Less: bank overdrafts (Note 25)	(68,059)	(151,204)
Add: impairment for expected credit losses	21,301	-
	<u>955,649</u>	<u>588,114</u>

**19 Share capital**

	2020 AED'000	2019 AED'000
<i>Authorised, issued and paid up capital</i>		
1,464,100,000 ordinary shares of AED 1 each		
(2019: 1,464,100,000 ordinary shares of AED 1 each)	<u>1,464,100</u>	<u>1,464,100</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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## **20 Reserves**

### **Statutory reserve**

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

### **Foreign currency translation reserve**

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

### **Reserve arising from acquisition of non-controlling interests**

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

### **Reserve arising from other comprehensive income items**

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

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

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

	2020 AED'000	2019 AED'000
At 1 January	(193)	10,252
Net loss from revaluation	(1,284)	(6,419)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	(4,737)	(4,026)
At 31 December	<u>(6,214)</u>	<u>(193)</u>

#### *Remeasurements of post-employment benefit obligations*

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**20 Reserves (continued)**

*Remeasurements of post-employment benefit obligations (continued)*

	2020 AED'000	2019 AED'000
At 1 January	465	-
Remeasurements of post-employment benefit obligations	(1,315)	465
At 31 December	<u>(850)</u>	<u>465</u>

**21 Retained earnings**

**Dividends**

At the Annual General Meeting of the shareholders held on 22 June 2020, the shareholders approved a cash dividend of 16.5% (dividends per share amount to AED 0.165) for the performance of the year ended 31 December 2019 (31 December 2018: cash dividend of 16.5% and dividends per share amount to AED 0.165) of the issued and paid up capital amounting to AED 1,464,100 thousands (31 December 2019: AED 1,464,100 thousands).

**Directors' fees paid**

Directors' fees of AED 3,600 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2019 were paid in 2020 (2019: AED 3,640 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2018 were paid in 2019).

**22 Interest-bearing loans and borrowings**

	2020 AED'000	2019 AED'000
<b>Non-current</b>		
Term loans (a)	154,510	156,425
Notes payable	7,490	1,211
	<u>162,000</u>	<u>157,636</u>
<b>Current</b>		
Term loans (a)	539,149	579,944
Notes payable	3,692	2,566
	<u>542,841</u>	<u>582,510</u>



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**22 Interest-bearing loans and borrowings (continued)**

**(a) Term loans**

**Syndicated loan**

On 23 April 2019, Aramex PJSC entered into a new 5 year revolving credit facility agreement with a syndicate of banks comprising of HSBC Bank Middle East Limited, CITIBANK, N.A, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC and DBS Bank LTD (DIFC Branch). The rate of interest on each loan for each interest period is the percentage rate per annum which is aggregate of the applicable margin and LIBOR. The total limit of this facility is USD 200 million (equivalent to AED 735 million), the total balance utilized as at 31 December 2020, amounted to USD 140 million (equivalent to AED 514 million) (2019: USD 150 million (equivalent to AED 551 million)). The purpose of this facility is to fund capital expenditure and working capital requirements including permitted acquisitions. The loan is secured by corporate guarantee extended by Aramex PJSC, Aramex Abu Dhabi LLC, Aramex Emirates LLC, Aramex International LLC, Aramex Hong Kong, Limited, Aramex Int'l Egypt for Air & Local Services (Egypt) and Aramex Saudi Limited company.

**HSBC loan (1)**

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

**HSBC loan (2)**

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

There were several financial covenants attached to the interest-bearing loans and borrowings. The Group's subsidiaries complied with financial covenants as of 31 December 2020.

**Others**

Term loans also include a number of loans obtained by Group with a balance of AED 15 million to finance their operating activities. These loans carry interest at commercial rates, are repayable in regular installments and are subject to covenants consistent with the Group's borrowing policies. The loans are secured by corporate guarantees extended by various Group's subsidiaries.

The principal instalments payable after 2021 for long-term loans as of 31 December 2020 are as follows:

<i>Year</i>	<i>AED '000</i>
2022	12,274
2023	12,138
2024	13,155
2025 thereafter	116,943
	<u>154,510</u>

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**23 Employees' end of service benefits**

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

	2020 AED'000	2019 AED'000
Provision as at 1 January	146,983	140,167
Provided during the year	38,377	28,109
Paid during the year	(22,346)	(20,464)
Discontinued operations (Note 11)	(14,949)	-
Actuary valuation through other comprehensive income	1,315	-
Exchange differences	(193)	(829)
Provision as at 31 December	<u>149,187</u>	<u>146,983</u>

Principal assumptions used in determining benefit obligations for the Company are shown below:

	2020 %	2019 %
Discount rate	2.88	3.51
Salary increase rate	2.43	2.99
Normal retirement age (years)	52	52

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 December 2020 and 31 December 2019 is, as shown below:

	Impact on defined benefit obligation	
	2020 AED'000	2019 AED'000
Discount rate:		
0.5% increase	<u>(556)</u>	<u>(801)</u>
0.5% decrease	<u>604</u>	<u>898</u>
Salary increase rate:		
0.5% increase	<u>624</u>	<u>916</u>
0.5% decrease	<u>(578)</u>	<u>(824)</u>

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

**24 Accounts payable**

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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**25 Bank overdrafts**

The Group maintains overdrafts and lines of credit with various banks. Overdrafts and lines of credit include the following:

Aramex Tunisia has outstanding overdrafts from Citi Bank of nil as at 31 December 2020 (2019: AED 305 thousand) and with Arab Bank of AED 202 thousand as at 31 December 2020 (2019: AED 898 thousand).

Aramex Algeria SARL has outstanding overdrafts from Citi Bank of AED 3,586 thousand as at 31 December 2020 (2019: AED 11,559 thousand).

Aramex International LLC has outstanding overdrafts from HSBC of AED 51,416 thousand as at 31 December 2020 (2019: AED 51,416 thousand).

Aramex Special Logistics has outstanding overdraft from Citi Bank of AED 12,834 thousand as at 31 December 2020 (2019: AED 86,480 thousand).

Aramex Kenya Limited has outstanding overdraft from Citibank of AED 21 thousand as at 31 December 2020 (2019: AED 546 thousand).

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

**26 Other current liabilities**

	2020 AED'000	2019 AED'000
Accrued expenses	454,194	402,158
Deferred revenue	25,570	28,296
Sales tax and other taxes	130,522	53,992
Customers' deposits	10,761	14,567
Social security taxes payable	11,046	7,271
Claims	104,246	27,924
Others *	302,636	271,528
	<u>1,038,975</u>	<u>805,736</u>

\* As at 31 December 2020, the Group has had other liabilities related mainly to cash on delivery collected by the Group on behalf of the customers, amounting to AED 235,228 thousand (2019: AED 192,513 thousand) (Note 18).

**27 Employees' benefit liability**

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**27 Employees' benefit liability (continued)**

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

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

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

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

**28 Rendering of services**

	2020 AED'000	2019 AED'000
International express	2,573,330	2,349,132
Domestic express	1,362,069	1,108,326
Freight forwarding	1,084,731	1,138,328
Logistics	374,862	354,953
Others*	115,307	117,406
	<u>5,510,299</u>	<u>5,068,145</u>

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

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



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**29 Cost of services**

	2020 AED'000	2019 AED'000 (Restated)
International express costs	1,337,599	972,957
Freight forwarding costs	839,547	875,222
Domestic express costs	618,580	497,482
Salaries and benefits (Note 32)	612,004	567,741
Depreciation of right of use assets (Note 7)	158,206	128,663
Logistics costs	123,758	104,615
Vehicle running and maintenance	72,917	72,915
Supplies	44,140	36,845
Depreciation of property and equipment (Note 6)	38,664	30,885
Communication expenses	10,863	9,633
Government fees and taxes	4,128	2,929
Others	116,102	112,806
	<u>3,976,508</u>	<u>3,412,693</u>

**30 Administrative expenses**

	2020 AED'000	2019 AED'000
Salaries and benefits (Note 32)	356,123	400,769
Depreciation of right of use assets (Note 7)	69,313	77,375
Repairs and maintenance	69,110	66,844
Depreciation of property and equipment (Note 6)	68,313	65,416
Communication expenses	50,404	51,938
Professional fees	28,729	34,632
Government fees and taxes	24,878	17,196
Insurance and security	19,633	19,073
Utilities	12,656	14,028
Legal expenses	9,711	3,739
Printing and stationary	6,642	6,336
Entertainment	5,607	8,057
Travel expenses	4,529	19,717
Corporate social responsibility*	3,178	3,247
Vehicle running expenses	2,556	4,104
Sponsorship	124	191
Others	60,420	29,689
	<u>791,926</u>	<u>822,351</u>

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**31 Other income, net**

	2020 AED'000	2019 AED'000
Exchange (loss)	(1,217)	(5,782)
Loss on sale of property and equipment	(417)	(2,351)
Miscellaneous income	16,216	13,145
	<u>14,582</u>	<u>5,012</u>

**32 Staff costs**

	2020 AED'000	2019 AED'000
Salaries and allowances	1,112,572	1,094,022
End of service benefits	36,428	25,487
Other employees' benefits	17,716	16,642
	<u>1,166,716</u>	<u>1,136,151</u>

**Staff costs are allocated as follows:**

Administrative expenses (Note 30)	356,123	400,769
Selling and marketing expenses	198,589	167,641
Cost of services (Note 29)	612,004	567,741
	<u>1,166,716</u>	<u>1,136,151</u>

**33 Related party transactions**

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

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

**Key management compensation**

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

	2020 AED'000	2019 AED'000
Salaries and other short term benefits	10,844	14,112
Board remuneration	3,600	3,640
End of service benefits	572	147
	<u>15,016</u>	<u>17,899</u>

Directors' fees paid were disclosed in Note 21.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**33 Related party transactions (continued)**

**Significant subsidiaries of the Group include:**

Aramex Fastway Holdings PTY Ltd.  
Aramex Jordan Ltd.  
Aramex India Private Limited, India  
Aramex International Egypt for Air and Local services (S.A.E), Egypt  
Aramex Muscat LLC  
Aramex Emirates LLC, UAE  
Aramex Ireland Limited  
Aramex South Africa PTY Ltd.  
Aramex Hong Kong Limited  
Aramex Saudi Limited Company  
Aramex International Hava Kargo Ve Kerye Anonim Sirketi  
Aramex International Logistics Private Ltd.  
Aramex (UK) Limited

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

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year in the normal course of business. The outstanding balances as at 31 December 2020 and 2019, are included in Notes 16 and 24:

		<i>Sales to related parties AED '000</i>	<i>Cost from related parties AED '000</i>	<i>Amounts owed by related parties* AED '000</i>	<i>Amounts owed to related parties** AED '000</i>
<b>Associates:</b>					
	2020	1,615	1,197	53	970
	2019	662	1,647	-	586
<b>Joint ventures in which the parent is a venture:</b>					
	2020	83,105	981	25,329	53
	2019	75,444	1,176	24,519	4,919
<b>Companies controlled by previous shareholders ***</b>					
	2020	60,808	-	-	-
	2019	145,601	-	32,804	6,892
<b>Related parties and companies controlled by shareholders ****</b>					
	2020	658	-	4,721	-
	2019	-	-	-	-

\* These amounts are classified as accounts receivable.

\*\* These amounts are classified as accounts payable.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**33 Related party transactions (continued)**

\*\*\* Transactions with the previous shareholders and entities under common control by the shareholders were presented for the period from 1 January 2020 to 17 September 2020. The related outstanding balances as at 31 December 2020 are not included in the above disclosure since those entities ceased to be a related parties on 17 September 2020.

\*\*\*\* Included in the above disclosure balances as at 31 December 2020 and transactions for the period from 17 September 2020 to 31 December 2020 with companies under common control by the new shareholder, Alpha Oryx Limited, which acquired 22.5% of Aramex PJSC's issued shares on 17 September 2020 as detailed in Note 1.

**34 Earnings per share**

	31 December 2020	31 December 2019
Profit attributable to shareholders of the Parent (AED'000)		
Profit for the year from continuing operations	244,842	474,069
Profit for the year from discontinued operations	21,809	23,331
	<u>266,651</u>	<u>497,400</u>
Weighted average number of shares during the year (shares)	<u>1,464 Million</u>	<u>1,464 Million</u>
Basic and diluted earnings per share from continuing operations (AED)	<u>0.167</u>	<u>0.324</u>
Basic and diluted earnings per share from discontinued operations (AED)	<u>0.015</u>	<u>0.016</u>

As of 31 December 2020, basic and diluted earnings per share from discontinued operations amounted to 0.015 (2019: AED 0.016).

**35 Losses on property and customer goods**

On 4 August 2020, an explosion occurred in the Port of Beirut, Lebanon, which resulted in a damage to the entire warehouse facility of the Group's subsidiary in Beirut, Lebanon (Aramex Lebanon SARL "Aramex Lebanon"). Furthermore, a fire incident occurred during September 2020 in a storage facility of the Group's subsidiary in Casablanca, Morocco (Aramex Morocco Logistics SARL "Aramex Morocco") which resulted in damage to three chambers of that storage facility.

These facilities are covered under existing comprehensive insurance policies and Group management has appointed an independent loss assessor to manage the claims in Lebanon with the respective insurance company while the incident in Morocco is being managed internally by the insurance, legal and compliance teams. The assessment of both incidents is still its initial stage.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

**35 Losses on property and customer goods (continued)**

Based on the Group's initial assessment, management booked a provision of AED 7,712 thousand (AED 1,469 thousand representing property damages and AED 6,243 thousand representing estimated loss on the customers goods) and AED 45,173 thousand (AED 1,102 thousand representing property damages and AED 44,071 thousand representing estimated loss on the customers goods) to cover the estimated losses as at 31 December 2020 for Aramex Lebanon and Aramex Morocco respectively. As a result of the fire incident in Morocco, a provision of AED 36,726 thousand was provided during the year ended 31 December 2020 (Note 37).

Management is confident that the amounts will be recovered for both incidents and will only recognize any reimbursement from the insurance companies when it is certain to be received.

**36 Segmental information**

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

- Courier: includes delivery of small packages across the globe to both, retail and wholesale customers, and express delivery of small parcels and pick up and deliver shipments within the country.
- Freight forwarding: includes forwarding of loose or consolidated freight through air, land and ocean transport, warehousing, customer clearance and break-bulk services.
- 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 gross profit.

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

The following table presents revenue and profit information for each of the Group's operating segments for the years ended 31 December 2020 and 2019, respectively.

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**36 Segmental information** (continued)

	<i>Courier**</i> <i>AED'000</i>	<i>Freight forwarding</i> <i>AED'000</i>	<i>Logistics</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Year ended 31 December 2020</b>					
<b>Revenue</b>					
Total revenues	<u>3,935,400</u>	<u>1,084,732</u>	<u>374,862</u>	<u>115,305</u>	<u>5,510,299</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	3,935,400	1,084,732	374,862	115,305	5,510,299
Services transferred overtime	-	-	-	-	-
Total revenues from contracts with customers	<u>3,935,400</u>	<u>1,084,732</u>	<u>374,862</u>	<u>115,305</u>	<u>5,510,299</u>
Gross profit	<u>1,273,801</u>	<u>135,357</u>	<u>49,903</u>	<u>74,730</u>	<u>1,533,791</u>
Earnings/(losses) before interest and tax*	<u>457,705</u>	<u>16,519</u>	<u>(84,705)</u>	<u>10,029</u>	<u>399,548</u>
<b>Year ended 31 December 2019</b>					
Total revenues	<u>3,457,459</u>	<u>1,138,330</u>	<u>354,953</u>	<u>117,403</u>	<u>5,068,145</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	3,457,459	1,138,330	354,953	117,403	5,068,145
Services transferred overtime	-	-	-	-	-
Total revenues from contracts with customers	<u>3,457,459</u>	<u>1,138,330</u>	<u>354,953</u>	<u>117,403</u>	<u>5,068,145</u>
Gross profit	<u>1,346,581</u>	<u>163,313</u>	<u>67,675</u>	<u>77,883</u>	<u>1,655,452</u>
Earnings before interest and tax*	<u>541,690</u>	<u>41,005</u>	<u>23,975</u>	<u>13,008</u>	<u>619,678</u>

\* Earnings before interest and tax from "Logistics" is AED 5,758 thousand, after excluding losses from the incidents of AED 89,611 thousand (Note 35), and impairment losses on bank balances of AED 852 thousand for the year ended 31 December 2020.

\*\* Courier segment includes international express and domestic express.

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

**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.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**36 Segmental information (continued)**

**Geographical segments (continued)**

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

	2020 AED'000	2019 AED'000
<b>Revenues</b>		
United Arab Emirates	825,202	945,033
Middle East and Africa excluding United Arab Emirates	2,213,309	2,062,781
Europe	682,645	556,665
North America	216,977	203,304
Asia and others	1,572,166	1,300,362
	<u>5,510,299</u>	<u>5,068,145</u>
<b>Assets</b>		
United Arab Emirates	2,500,029	2,551,664
Middle East and Africa excluding United Arab Emirates	1,728,207	1,523,909
Europe	557,409	464,800
North America	164,070	140,183
Asia and others	1,165,455	1,062,248
	<u>6,115,170</u>	<u>5,742,804</u>
<b>Non - current assets*</b>		
United Arab Emirates	761,421	936,729
Middle East and Africa excluding United Arab Emirates	764,362	611,719
Europe	123,598	95,853
North America	45,116	50,742
Asia and others	434,046	437,682
	<u>2,128,543</u>	<u>2,132,725</u>
<b>Liabilities</b>		
United Arab Emirates	1,269,148	1,476,543
Middle East and Africa excluding United Arab Emirates	1,192,633	790,162
Europe	185,060	130,037
North America	75,935	60,682
Asia and others	685,433	652,838
	<u>3,408,209</u>	<u>3,110,262</u>

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

**37 Commitments and contingencies**

**Guarantees**

	2020 AED'000	2019 AED'000
Letters of guarantee	<u>138,995</u>	<u>146,348</u>

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

---

**37 Commitments and contingencies (continued)**

**Capital commitments**

As at 31 December 2020, the Group has capital commitments of AED 15 million (2019: AED 40.1 million) towards purchase/construction of property and equipment.

**Legal claims contingency**

The Group is a defendant in a number of lawsuits amounting to AED 302,490 thousand representing legal actions and claims related to its ordinary course of business (2019: AED 136,454 thousand). The management and its legal advisors believe that the provision recorded of AED 47,628 thousand as of 31 December 2020 is sufficient to meet the obligations that may arise from the lawsuits (2019: AED 11,182 thousand).

A portion of the AED 302,490 thousand represents a lawsuit from a customer claiming a total amount of AED 149,008 thousand resulting from the fire incident in one of the Group's subsidiaries, Aramex Morocco Logistics SARL. The management and its legal advisors believe that the provision recorded of AED 36,726 thousand as of 31 December 2020 is sufficient based on a subsequent initial settlement with the respective customer (Note 35). Accordingly, the legal claims amounted to AED 153,482 thousand after excluding the legal claim against Aramex Morocco Logistics SARL.

**38 COVID-19 impact assessment**

The economic fallout of COVID-19 crisis is significant globally and is still evolving. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Group is continuously monitoring the impact of COVID-19 pandemic on the business, operations and its finances, particularly on the international express costs which was affected mainly due to the transportation restrictions imposed globally.

*COVID-19 impact on measurement of ECL:*

IFRS 9 framework requires the estimation of Expected Credit Loss ("ECL") based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Group utilises a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. The Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is evolving at this point, which makes it challenging to reliably reflect impacts on the ECL estimates. However, management has performed revised assessments and no material impact has been accounted for in these consolidated financial statements. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.



**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**38 COVID-19 impact assessment (continued)**

*Liquidity management:*

The global market stress brought on by the COVID-19 crisis can negatively affect the liquidity. In this environment, the Group has taken measures to manage liquidity risk until the crisis is over. The Group's credit and treasury department is closely monitoring the cash flows and forecasts.

*Business continuity planning:*

The Group is closely monitoring the situation and has invoked crisis management actions to ensure the safety and security of the Group's staff as well as uninterrupted customer service. Alternative working arrangements have been made and administrative staff are currently working remotely.

**39 Financial instruments by category**

	2020 AED'000	2019 AED'000
<b>Financial assets at fair value through other comprehensive income</b>		
Equity instruments	21,801	28,426
Debts instruments	3,650	4,230
	<u>25,451</u>	<u>32,656</u>
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding prepayment, advances to suppliers and withholding tax)	1,219,116	1,325,951
Margins and bank deposits	252,359	260,740
Cash and bank balances	1,002,407	739,318
	<u>2,473,882</u>	<u>2,326,009</u>
<b>Financial liabilities at amortised cost</b>		
Bank overdrafts	68,059	151,204
Lease liabilities	887,738	862,869
Interest-bearing loans and borrowings	704,841	740,146
Accounts payable, income tax provision, and other current liabilities (excluding deferred revenue)	1,420,449	1,131,249
	<u>3,081,087</u>	<u>2,885,468</u>

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 146,685 thousand (2019: AED 142,838 thousand) have been excluded from trade and other receivables. Non-financial liabilities amounting to AED 25,570 thousand (2019: AED 28,296) have been excluded from trade and other payables.

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

**ARAMEX PJSC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**40 Representation of comparative figures**

Comparative figures for the consolidated statement of income and its related notes were represented to match the current presentation as a result of classifying the disposal group as discontinued operations (Note 11). Management believes that the current presentation provides more meaningful information to the readers of the consolidated financial statements.

**41 Prior year reclassification**

During the year ended 31 December 2019, the Group classified direct costs, which included salaries and benefits, vehicle running and maintenance, depreciation of property, plant and equipment, right of use assets and other expenses incurred for rendering of services, as "other operating expenses" which relates to costs of services. Accordingly, the Group reclassified the "other operating expenses" on the consolidated statement of income for the year ended 31 December 2019 to "cost of services" to comply with the consolidated financial statements presentation for the current year. Management believes that the current period presentation provides more meaningful information to the users of the consolidated financial statements.

*Consolidated statement of income as at 31 December 2019*

	As previously reported AED	Reclassifications increase/ (decrease) AED	As Restated AED
Cost of services	2,488,576	924,117	3,412,693
Other operating expenses	924,117	(924,117)	-

**42 Non-cash transactions**

	2020 AED'000	2019 AED'000
Additions of right of use assets (Note 7)	332,531	247,016
Disposal of right of use assets (Note 7)	61,467	18,964
Property and equipment (Note 6)	2,820	-
Right of use assets (i)	-	851,407
Lease liability (i)	-	817,090
Property and equipment (ii)	-	44,000
Settlement of debt and other current assets to acquire additional non-controlling interests (Note 5)	-	49,012

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