Aramex PJSC and Its Subsidiaries

Report of the Directors and Consolidated Financial Statements

For the year ended 31 December 2022

ARAMEX PJSC AND ITS SUBSIDIARIES

Report of the directors and consolidated financial statements for the year ended 31 December 2022

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(Director's Report FY 2022)

Dear valued shareholders,

On behalf of Aramex PJSC's Board of Directors, it is with great pleasure that I present the Company's financial and operational performance for the year 2022.

Aramex's revenue reached AED 5.93 billion, which was broadly in line with the reported revenue for the year 2021. The Company also delivered a Normalized Net Profit of AED 173 million for the Full Year 2022, a 9% Year-on-Year increase compared to Normalized Net Profit of AED 158 million from the previous year. This is mainly attributed to our ongoing efforts towards driving operational efficiencies supported by expansionary GCC economies, increase in industrial activities in the region and resilient consumer spending. Our performance showcases the resilience of our business model and ability to deliver on our growth strategy, while navigating global market volatility, incremental increases in interest rates, rising inflation rates, and global supply chain disruptions, as part of the lingering impacts of the pandemic, notably in China.

Today, our business has four well-defined products; International and Domestic Express, and Freight-Forwarding and Logistics & Supply Chain Solutions. Each product presents us with various growth opportunities and collectively provides greater diversification and a more integrated end-to-end service offering for our growing customer base.

Over the past 12 months, the Freight-Forwarding and Logistics & Supply Chain products have demonstrated their growth potential and we believe that we are well-positioned and have the right infrastructure, resources and technical know-how to continue capturing growth opportunities. The Express products remains the largest contributor to Group revenue and profit. We believe that our market leadership position in our home markets and our investment into automation, scaling through M&A– as evidenced by the acquisition of MyUS, a global technology-driven platform that enables cross-border e-commerce - and boosting customer service levels will always set us apart and support our ambitions to capture greater market share.

2022 was also a remarkable year for us as we celebrated our 40th year since Aramex's founding. This was a milestone for the Company, as it reflects on our strong leadership, diverse pool of talent, wide-reaching global footprint, and the trust we have built and maintained with our customers. In addition to this, we are proud to have executed on our largest acquisition to date, MyUS, and look forward to announcing other value accretive acquisitions in due course.

The diversification of our business across products, industry verticals and geographies has insulated us from certain global challenges and served us well in markets and industries that witnessed growth. More specifically, the UAE and other GCC markets' strong growth in 2022 underpinned our performance and our ability to expand our products and services in the region. In 2022 other economies have exhibited tepid growth and deceleration in consumer spending. However, the year ended on a more optimistic tone with the recent full reopening of China, which will likely help reduce strain on value chains and relieve some of the supply chain bottlenecks. While the real impact of China's return to life as normal is yet to be seen, given the significance and importance of China in the global trade industry and its importance for our business and our customers' business, we welcome this positive move as we enter 2023.

Overall, the Middle East and North Africa's GDP growth in 2022 was estimated at 5.7%, and is projected to grow to 3.5% in 2023, remaining above growth levels in developed markets, according to the World Bank's latest Global Economic Prospects report. Our home market in the UAE will see the highest regional growth, at 4.1% GDP projection. With increased consumer and business confidence, an uptick in economic and cross-border trade activity, and supportive pro-growth and pro-trade government initiatives, from Abu Dhabi Economic Vision 2030 to Dubai's Economic Agenda D33, Aramex will continue to benefit from several opportunities across its different business segments.

Elsewhere across our operations, South Asia is forecasted to grow at 5.5% and Sub Saharan Africa at 3.6%. The resilience of these key markets has given us greater confidence in our ability to deliver on our Group strategy.

Shifting to an equally important topic, the Environment. Climate action is at the forefront of the region's agenda, particularly as the UAE prepares to host COP28, having declared 2023 as the 'Year of Sustainability'. The country has taken the necessary efforts to fulfil its goal as it began financing clean energy projects more than 15 years ago and has invested over 40 billion USD in the sector to date. The 'Year of Sustainability' could not come at a more critical time as we continue to focus on expanding our ESG efforts in line with UAE's Net Zero ambitions. Aramex is committed to carbon neutrality by 2030 and net zero by 2050. To achieve this, we are proactively taking steps to measure, manage and mitigate an impact on the environment while also investing in the right solutions and spreading awareness in the industry.

Looking ahead, we are confident in the economic prospects of our home markets in the GCC and see opportunity in contributing to this growth by continuing to support trade across key lanes and delivering on meeting our customers' demands and needs.

We remain optimistic in our ongoing efforts in sustaining quality growth, healthy cash flow and profitability margins while also investing in our business across the board to further unlock value. We, therefore, are pleased to announce that the Board is recommending a dividend of AED 0.09533 per share.

On behalf of the Board of Directors, I would also like to thank our leadership team and all employees at Aramex for their continuous hard work, and their valued contribution to another successful year. I look forward to working closely with our team to build on our continuous growth while also creating substantial long-term value for our shareholders.

Sincerely yours,

Captain Mohamed Juma Alshamsi
Chairman of the Board of Directors
Aramex PJSC

Independent auditor's report to the shareholders of Aramex PJSC

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aramex PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, 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 2022;
- the consolidated statement of profit or loss 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.

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)

Our audit approach

Overview

Key Audit Matters	• Revenue recognition; • Impairment of goodwill; and • Accounting for the acquisition of Access Shipping LLC

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 the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Key audit matters

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

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

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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group focuses on revenues as a key performance measure and as a driver for growth and expansion. For the year ended 31 December 2022, the Group had revenue of AED 5.9 billion (2021: AED 6.1 billion) - Note 27. Due to the materiality of the amounts involved, diversity of the Group's geographical footprint, and susceptibility of such revenues to misstatements and fraud risk, we consider revenue recognition as a key audit matter.	Our audit procedures performed in relation to revenue recognition included: ● considering the appropriateness and testing the consistency of the Group's revenue recognition policies; ● assessing the compliance of such policies with the applicable International Financial Reporting Standards; ● reviewing the control environment and on a sample basis, testing internal controls over revenue recognition; ● obtaining a representative sample of transactions and testing their occurrence, accuracy and recognition; ● selecting a sample of transactions before and after the year end to verify the appropriateness of revenue recognition in their corresponding period; ● performing substantive analytical procedures to identify inconsistencies and/or unusual movements during the year; and ● assessing the completeness and accuracy of disclosures within the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).
Impairment of goodwill As at 31 December 2022, the Group had goodwill of AED 1,758 million (2021: AED 1,003 million) - Note 7. As required by IAS 36 – 'Impairment of Assets', the Group is required to annually test goodwill for impairment. Management's assessment process is complex and highly judgem ental, 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.	Our audit procedures performed in relation to the impairment assessment of goodwill included: ● testing the integrity of the model and on a sample basis the discounted cash flow model and assessed that the methodology used is consistent with IAS 36; ● assessing the appropriateness of forecast revenue and net operating profit before taxes growth rates through comparison to historical data; ● 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; ● involving 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 ● assessing the completeness and accuracy of disclosures within the consolidated financial statements in accordance with IFRS.

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

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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for the acquisition of Access Shipping LLC During 2022, the Group acquired 100% equity interest in Access Shipping LLC and its subsidiary (together referred to as "MyUS"). The total provisional purchase consideration was AED 941 million for acquisition of identifiable net assets with fair values of AED 151 million. Goodwill of AED 790 million was recognised as part of the transaction – Note 37. The acquisition was accounted for in accordance with IFRS 3 'Business Combinations' and required management to make significant estimates as part of determining the provisional fair values of the identifiable assets acquired and liabilities assumed. We considered this to be a key audit matter given the significant estimates involved in determining the provisional fair values of the identifiable assets acquired and liabilities assumed.	Our audit procedures performed in relation to the acquisition of MyUS included: ● obtaining and reviewing the Sale and Purchase Agreement and the contracts related to the acquisition; ● assessing whether management's assumptions in relation to the accounting for the transaction is in accordance with the requirements of IFRS 3; ● agreeing the provisional fair values of the assets and liabilities determined by management to the amounts presented in the consolidated financial statements; and, ● reviewing the assumptions related to the provisional purchase price allocation, through: ○ assessing the accuracy of the consideration used in the provisional purchase price allocation; ○ evaluating, with the involvement of our internal experts, the methodologies and significant inputs used by the Group; ○ reviewing the identification of intangible assets in accordance with IAS 38 "Intangible Assets"; ○ assessing, with involvement of our internal experts, the provisional goodwill recognised by management and evaluating whether it is accounted for in accordance with the requirements of IFRS 3; and ○ assessing the disclosure in the consolidated financial statements relating to this matter in line with the requirements of IFRS.

Other information

The directors are responsible for the other information. The other information comprises 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 that date.

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.

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

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

Other information (continued)

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.

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

The Directors are 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 Decree Law No. (32) of 2021, and for such internal control as Directors determine 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, the Directors are 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 the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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 the Directors.

- Conclude on the appropriateness of the Directors' 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.

- 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 the audit of the consolidated financial statements (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;

(ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;

(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 11, 12, and 13 to the consolidated financial statements disclose the Group's investments in shares during the year ended 31 December 2022;

(vi) Note 32 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 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and

(viii) as disclosed in Note 29 to the consolidated financial statements, the Group has made social contributions during the year ended 31 December 2022.

PricewaterhouseCoopers
15 March 2023

برايسووترهاوس كوبرز
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PricewaterhouseCoopers

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

	Note	As at 31 December 2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	883,697	941,430
Right of use assets	6	860,524	894,266
Goodwill	7	1,757,680	1,002,568
Other intangible assets	8	324,362	201,255
Investments in joint ventures and associates	11,12	24,961	37,448
Financial assets at fair value through other comprehensive income	13	17,667	17,638
Deferred tax assets	14	28,135	8,006
Other non-current assets		5,912	4,115
		3,902,938	3,106,726
Current assets			
Accounts receivable, net	15	1,130,410	1,219,422
Other current assets	16	284,150	293,709
Restricted cash, margins and fixed deposits	17	9,488	57,641
Cash and cash equivalents	17	758,954	711,800
		2,183,002	2,282,572
Assets held for sale	10	6,569	10,650
TOTAL ASSETS		6,092,509	5,399,948
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,464,100	1,464,100
Statutory reserve	19	471,734	440,802
Foreign currency translation reserve	19	(529,432)	(398,529)
Reserve arising from acquisition of non-controlling interests	19	(329,908)	(329,759)
Reserve arising from other comprehensive income items	19	(11,804)	(12,008)
Retained earnings		1,444,833	1,500,570
Equity attributable to equity holders of the Parent		2,509,523	2,665,176
Non-controlling interests	9	8,865	10,817
Total equity		2,518,388	2,675,993
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	21	1,086,304	137,259
Lease liabilities	6	757,036	754,933
Employees' end of service benefits	22	164,136	148,822
Deferred tax liabilities	14	30,828	42,114
Other non-current liabilities	26	15,960	18,305
		2,054,264	1,101,433
Current liabilities			
Accounts payable	23	324,776	344,120
Lease liabilities	6	181,687	180,382
Bank overdrafts	24	131,353	153,113
Interest-bearing loans and borrowings	21	38,865	27,424
Income tax provision	14	46,038	62,547
Provisions*	25	57,088	34,433
Other current liabilities*	26	735,143	815,998
		1,514,950	1,618,017
Liabilities held for sale	10	4,907	4,505
Total liabilities		3,574,121	2,723,955
TOTAL EQUITY AND LIABILITIES		6,092,509	5,399,948

*Refer to note 41 for changes to comparatives.

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 2022.

Mohamed Juma Alshamsi (Chairman)	Othman Aljeda (Chief Executive Officer)	Nicolas Sibuet (Chief Financial Officer)

	Note	For the year ended 31 December 2022 AED'000	2021 AED'000
Continuing operations			
Rendering of services	27	5,926,005	6,068,805
Cost of services	28	(4,501,701)	(4,637,938)
Gross profit		1,424,304	1,430,867
Selling and marketing expenses		(257,637)	(272,508)
Net impairment loss on accounts receivable	15	(17,532)	(15,635)
Net impairment reversal/(loss) on bank balances	17	1,434	(912)
Administrative expenses	29	(907,648)	(887,654)
Net gain on property and customer goods	34	1,291	33,667
Other income, net	30	1,118	17,849
Operating profit		245,330	305,674
Finance income		4,933	6,406
Finance expense		(72,773)	(60,088)
Share of results of joint ventures and associates	11,12	9,203	10,232
Profit before tax from continuing operations		186,693	262,224
Income tax expense	14	(25,674)	(81,472)
Profit for the year from continuing operations		161,019	180,752
Discontinued operations			
Profit after tax for the year from discontinued operations	10	852	15,741
Gain on sale of a subsidiary	10	3,515	31,608
Profit for the year		165,386	228,101
Attributable to:			
Equity holders of the Parent			
Profit for the year from continuing operations		161,012	179,295
Profit for the year from discontinued operations		4,367	46,246
		165,379	225,541
Non–controlling interests			
Profit for the year from continuing operations		7	1,457
Profit for the year from discontinued operations		-	1,103
		7	2,560
		165,386	228,101
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share from continuing operations (AED)	33	0.110	0.122
Basic and diluted earnings per share from discontinued operations (AED)	33	0.003	0.032
Total basic and diluted earnings per share (AED)	33	0.113	0.154

	Note	For the year ended 31 December 2022 AED'000	2021 AED'000
Profit for the year		165,386	228,101
Other comprehensive loss, net of tax:			
Other comprehensive income/(loss) items to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(139,259)	(73,475)
Impact of hyperinflation		4,398	4,363
Gain on debt instruments at fair value through other comprehensive income		32	572
		(134,829)	(68,540)
Other comprehensive income/(loss) items not to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Loss on equity instruments at fair value through other comprehensive income		-	(7,637)
Remeasurements of post-employment benefits obligations through other comprehensive income	22	172	12
		172	(7,625)
Other comprehensive loss for the year, net of tax		(134,657)	(76,165)
Total comprehensive income for the year		30,729	151,936
Attributable to:			
Equity holders of the Parent		32,070	151,543
Non-controlling interests		(1,341)	393
		30,729	151,936
Total comprehensive income attributable to equity holders of the Parent arises from:			
Continuing operations		27,703	109,917
Discontinued operations		4,367	41,626
		32,070	151,543

	Attributable to equity holders of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Reserve arising from acquisition of non-controlling interests AED'000	Reserve arising from other comprehensive income items AED'000	Retained earnings AED'000	Equity attributable to equity holders of the Parent AED'000	Non-controlling interests AED'000	Equity AED'000
For the year ended 31 December 2022									
At 31 December 2021	1,464,100	440,802	(398,529)	(329,759)	(12,008)	1,500,570	2,665,176	10,817	2,675,993
Impact of hyperinflation (Note 4)	-	-	2,610	-	-	-	2,610	-	2,610
At 1 January 2022 (adjusted)	1,464,100	440,802	(395,919)	(329,759)	(12,008)	1,500,570	2,667,786	10,817	2,678,603
Profit for the year	-	-	-	-	-	165,379	165,379	7	165,386
Other comprehensive (loss)/income	-	-	(133,513)	-	204	-	(133,309)	(1,348)	(134,657)
Total comprehensive (loss)/income for the year	-	-	(133,513)	-	204	165,379	32,070	(1,341)	30,729
Transfer of gain on non-controlling interests on disposal of a subsidiary to retained earnings	-	-	-	(149)	-	149	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	(611)	(611)
Dividends to shareholders (Note 20)	-	-	-	-	-	(190,333)	(190,333)	-	(190,333)
Transfer to statutory reserve (Note 19)	-	30,932	-	-	-	(30,932)	-	-	-
At 31 December 2022	1,464,100	471,734	(529,432)	(329,908)	(11,804)	1,444,833	2,509,523	8,865	2,518,388

	Attributable to equity holders of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Reserve arising from acquisition of non-controlling interests AED'000	Reserve arising from other comprehensive income items AED'000	Retained earnings AED'000	Equity attributable to equity holders of the Parent AED'000	Non-controlling interests AED'000	Equity AED'000
For the year ended 31 December 2021									
At 31 December 2020	1,464,100	408,929	(344,425)	(335,186)	(7,064)	1,504,306	2,690,660	16,301	2,706,961
Impact of hyperinflation (Note 4)	-	-	(34,862)	-	-	-	(34,862)	-	(34,862)
At 1 January 2021 (adjusted)	1,464,100	408,929	(379,287)	(335,186)	(7,064)	1,504,306	2,655,798	16,301	2,672,099
Profit for the year	-	-	-	-	-	225,541	225,541	2,560	228,101
Other comprehensive loss	-	-	(66,945)	-	(7,053)	-	(73,998)	(2,167)	(76,165)
Total comprehensive (loss)/income for the year	-	-	(66,945)	-	(7,053)	225,541	151,543	393	151,936
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	1,102	(1,102)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	(2,654)	(2,654)
Disposal of a subsidiary (Note 10)	-	(20,973)	47,703	5,427	1,007	15,004	48,168	(3,223)	44,945
Dividends to shareholders (Note 20)	-	-	-	-	-	(190,333)	(190,333)	-	(190,333)
Transfer to statutory reserve (Note 19)	-	52,846	-	-	-	(52,846)	-	-	-
At 31 December 2021	1,464,100	440,802	(398,529)	(329,759)	(12,008)	1,500,570	2,665,176	10,817	2,675,993

	Note	For the year ended 31 December 2022 AED'000	2021 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		186,693	262,224
Profit before tax from discontinued operations	10	4,468	49,544
Profit before tax		191,161	311,768
Adjustment for:			
Depreciation of property and equipment		116,718	111,307
Depreciation of right of use assets		248,908	254,551
Amortisation of other intangible assets	8	5,008	5,064
Loss/(gain) on disposal of property and equipment		12,143	(413)
Provision for employees' end of service benefits	22	35,066	33,813
Net impairment loss on financial assets		15,493	15,760
Finance costs, net		21,497	6,906
Finance costs – lease liabilities		46,505	47,106
Impairment of goodwill	7	-	2,975
Gain on sale of a subsidiary	10	(3,515)	(31,608)
Gain on disposal of right of use assets and lease liabilities		(754)	(2,364)
Gain on reversal of provision for property and customer goods	34	(1,291)	(20,812)
Share of results of joint ventures and associates	11,12	(9,203)	(10,232)
		677,736	723,821
Working capital adjustments:			
Accounts receivable		80,057	(174,292)
Accounts payable		(26,068)	16,676
Other current assets		17,702	25,240
Provisions*		22,655	(8,542)
Other current liabilities*		(124,084)	(157,942)
Other non-current liabilities		(2,345)	18,305
Net cash flows generated from operating activities before employees' end of service benefits and income tax paid		645,653	443,266
Employees' end of service benefits paid	22	(20,417)	(31,732)
Income tax paid	14	(58,782)	(96,549)
Net cash flows generated from operating activities		566,454	314,985
INVESTING ACTIVITIES			
Purchase of property and equipment		(79,141)	(128,597)
Payment for acquisition of a subsidiary, net of cash acquired	37	(943,033)	-
Proceeds from disposal of property and equipment		3,579	6,277
Interest received		4,933	6,406
Net cash disposed from discontinued operations		-	(421)
Proceeds from sale of a subsidiary		16,450	289,566
Dividends from joint ventures		18,209	13,209
Acquisition of a group of assets	7	-	(4,895)
Other non-current assets		(2,185)	117
Restricted cash	17	3,968	(12,132)
Margin deposits		355	1,901
Fixed deposits		45,264	195,040
Loan granted to joint venture		-	567
Net cash flows (used in)/generated from investing activities		(931,601)	367,038

	Note	For the year ended 31 December 2022 AED'000	2021* AED'000
FINANCING ACTIVITIES			
Finance costs paid		(60,187)	(60,218)
Proceeds from loans and borrowings		996,034	4,044
Repayment of loans and borrowings		(24,791)	(544,203)
Principal elements of lease payments		(241,039)	(264,890)
Dividends paid to non-controlling interests		(223)	(2,654)
Dividends paid to shareholders		(190,333)	(190,333)
Net cash flows generated from/(used in) financing activities		479,461	(1,058,254)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (net of bank overdrafts)		114,314	(376,231)
Net foreign exchange difference		(45,400)	27,490
Cash and cash equivalents at 1 January (net of bank overdrafts)		558,687	907,428
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (net of bank overdrafts)	17	627,601	558,687

Non-cash transaction:

Non-cash transactions are disclosed in Note 39.

*Refer to note 41 for details regarding certain reclassifications.

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. 32 of 2021. The consolidated financial statements of the Company as at 31 December 2022 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.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Decree Law No. 2 of 2015. The Group has complied with the provisions of the UAE Federal Decree Law No. 32 of 2021.

As at 31 December 2021, Alpha Oryx Limited ("Alpha"), a subsidiary of Abu Dhabi Development Holding Company ("ADQ") owned 22.32% of Aramex PJSC's issued share capital. On 20 January 2022, Alpha fully transferred its shares in the Company to Abu Dhabi Ports Company PJSC ("ADP"), which is also a subsidiary of ADQ.

During October 2021, GeoPost, the express parcel arm of French Groupe La Poste, acquired 24.93% of Aramex PJSC's issued share capital. As of 31 December 2022, GeoPost owns 28% of Aramex PJSC's issued share capital.

The consolidated financial statements were authorised for issue by the Board of Directors on 15 March 2023.

2 Significant accounting polices

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB), and applicable requirements of UAE Federal Decree Law No. 32 of 2021.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those audited annual consolidated financial statements for the year ended 31 December 2021, except when otherwise indicated.

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

The consolidated financial statements have been prepared under a historical cost basis 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 and assets held for sale which are measured at the lower of carrying amount and fair value less costs to sell. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The Lebanese and Turkish economies are considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the group's subsidiaries, Aramex Lebanon S.A.L. and Aramex International Hava Kargo ve Keye Anonim Sirketyi have been expressed in terms of measuring unit current at the reporting date.

2 Significant accounting policies (continued)

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 2022, 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 recognised in prior periods and are not expected to significantly affect the current or future periods.

(a) **Property, plant and equipment: proceeds before intended use** – amendments to IAS 16, 'property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

(b) **onerous contracts – cost of fulfilling a contract –** amendments to IAS 37, 'provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

(c) **annual improvements to IFRS standards 2018-2020 -** annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

(d) **reference to the Conceptual Framework –** amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

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

(a) **IFRS 17, 'Insurance contracts', as amended in December 2021 (deferred until accounting periods starting on 1 January 2023) -** This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

(b) **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023**) - These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

(c) **Amendments to IAS 1 - presentation of financial statements', on classification of liabilities (effective 1 January 2024) -** these narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

(d) **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective 1 January 2023)** - the amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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 Significant accounting policies (continued)

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 2022 and 31 December 2021. 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 raising 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 profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Changes in the Group’s ownership interest in existing subsidiaries

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of profit or loss. 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 profit or loss.

2 Significant accounting policies (continued)

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 profit or loss during the financial period in which they are incurred.

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 S.A.L. and Aramex International Hava Kargo ve Keye Anonim Sirketyi are 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 profit or loss 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.

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.

2 Significant accounting policies (continued)

2.5 Business combinations and goodwill (continued)

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

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 profit or loss.

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

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

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

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 profit or loss in the expense category that is consistent with the function of the intangible assets.

2 Significant accounting policies (continued)

2.6 Other intangible assets (continued)

Intangible assets with finite lives are amortised over their economic lives as follows:

Customer lists and other intangible assets with definite useful life	10-30 years
Other intangible assets	7 years
Brand	20 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 profit or loss when the asset is derecognised.

2.7 Investments in associates and joint arrangements

(i) Associates

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

(ii) Joint arrangements

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

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 profit or loss 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 profit or loss 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.

2 Significant accounting policies (continued)

2.7 Investments in associates and joint arrangements (continued)

(iii) Equity method (continued)

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 profit or loss.

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

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 profit or loss 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 7
Other intangible assets	Note 8

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 profit or loss in expense categories consistent with the function of the impaired asset.

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 profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2 Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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 Restricted cash, margins and fixed deposits

Restricted cash, margins and fixed deposits in the consolidated statement of financial position comprise restricted cash and long-term deposits with maturity of more than three months. Restricted cash represents cash held at Lebanese banks which can be withdrawn at unfavourable rates.

2.11 Cash and cash equivalents

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

For the purpose of 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.

2.12 Accounts receivable

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, less provision for impairment.

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.

2.13 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.

2 Significant accounting policies (continued)

2.13 Financial assets (continued)

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

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

(a) Classification

(i) Investments at fair value through other comprehensive income

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

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

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

(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 profit or loss.

(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 profit or loss and presented in other income. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

2 Significant accounting policies (continued)

2.13 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 profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss 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 profit or loss.

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 profit or loss 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 profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss 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 profit or loss 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.

2.14 Impairment and un-collectability 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 Significant accounting policies (continued)

2.15 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 profit or loss when the liabilities are derecognised as well as through EIR amortisation process.

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

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 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 profit or loss.

2.16 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 payables 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.

2.17 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 profit or loss net of any reimbursement.

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

2.18 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.

2 Significant accounting policies (continued)

2.18 Employees' end of service benefits (continued)

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

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 profit or loss.

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

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

2.19 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 profit or loss 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 profit or loss.

2.20 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 Significant accounting policies (continued)

2.21 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.

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. It is therefore accounted for as a single performance obligation satisfied over time and revenue is recognised over the performance period.

Freight forwarding revenue

The Group provides 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. It is therefore accounted for as a single performance obligation satisfied over time and revenue is recognised over the performance period.

Revenue from logistics services

The Group provides logistics and warehousing 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.

2 Significant accounting policies (continued)

2.21 Revenue recognition (continued)

Revenue from logistics services (continued)

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 satisfied over time and revenue is recognised over the performance period.

2.22 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 profit or loss.

2.23 Borrowing costs

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

2.24 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. Deferred income tax is determined using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. 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:

2 Significant accounting policies (continued)

2.24 Taxes (continued)

Deferred tax (continued)

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

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

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

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

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

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

Sales tax

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

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

2.25 Leases

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

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

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

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

2 Significant accounting policies (continued)

2.25 Leases (continued)

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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss 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 S.A.L. and Aramex International Hava Kargo ve Keye Anonim Sirketyi 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 profit or loss. 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.

2 Significant accounting policies (continued)

2.26 Cash dividend

The Group 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 Group. As per the corporate laws, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.27 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.

2.28 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 profit or loss.

Additional disclosures are provided in Note 10. All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

2.29 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 Significant accounting policies (continued)

2.30 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.

2.31 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.

2.32 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 as current when it is:

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

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.

2.33 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.

Also, when an entity's functional currency is the currency of a hyperinflationary economy, the entity shall restate its financial statements in accordance with IAS 29 before applying the translation method, except for comparative amounts that are translated into a currency of a non-hyperinflationary economy. When the economy ceases to be hyperinflationary and the entity no longer restates its financial statements in accordance with IAS 29, it shall use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date the entity ceased restating its financial statements.

The results and financial position of foreign operations (which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position, except that
- when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (ie not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

2 Significant accounting policies (continued)

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

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

Group companies

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

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

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.

As a result of the deep economic and financial crisis in Lebanon, companies in Lebanon have been transacting in "Lebanese Pound" (LBP), "Lebanese Dollars" (US Dollars held in local banks that are subject to the restrictions on withdrawal) and "US Dollars" (referred to as "Fresh Dollars") at multiple exchange rates depending on the nature of transactions and stakeholders.

Management performed an assessment to identify the most appropriate rate to be used for the translation of foreign operations in Lebanon for the year ended 31 December 2022.

2.34 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.

2 Significant accounting policies (continued)

2.34 Hyperinflation (continued)

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 the consolidated statement of profit or loss.

All items recognised in the consolidated statement of profit or loss 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 Turkish economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group’s subsidiaries; Aramex Lebanon S.A.L. and Aramex International Hava Kargo ve Keye Anonim Sirketyi have been expressed in terms of the measuring unit current at the reporting date. Impact of applying IAS 29 for the years ended 31 December 2022 and 31 December 2021 has been disclosed in each impacted financial statement line item note.

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 policies approved by the management. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group’s operating units. The management provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

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).

	Changes in currency rate to AED %	Effect on profit before tax AED'000
2022		
EUR	+10	(862)
INR	+10	98
GBP	+10	3,387
EGP	+10	(210)
TRY	+10	(195)
ZAR	+10	(33)
2021		
EUR	+10	(342)
INR	+10	113
GBP	+10	1,550
EGP	+10	(983)
TRY	+10	(203)
ZAR	+10	275

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 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).

Term deposits issued at fixed interest rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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

	2022	2021
	AED‘000	AED‘000
Variable rate instruments		
+100 bps	(12,565)	(3,178)
- 100 bps	12,565	3,178

As at the reporting date, the Group is primarily exposed to Risk Free Rate (RFR) rates which is subject to the interest rate benchmark reform, Bank Bill Swap Bid Rate (BBSY); main interest rate benchmark in Australia, Bank Bill Benchmark Rate (BKBM); main interest rate benchmark in New Zealand, Sterling Overnight Index Average (SONIA); main interest rate benchmark in the United Kingdom and Secured Overnight Financing Rate (SOFR); main interest rate benchmark in the United States of America.

(b) Credit risk

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

Credit risk arises from cash and 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.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as presented in the consolidated statement of financial position.

Risk management

Credit risk is managed on a Group basis. The Group’s policy is to place cash and cash equivalents with reputable banks and financial institutions that have average credit ratings with respect to each economy in which the Group operates.

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 66% 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.

Aramex is exposed to risk of loss from climate changes and is implementing processes aimed at monitoring and mitigating those risks, including commissioning the second solar farm in Dubai to produce 60% of its energy needs and testing electric vehicles in Saudi Arabia as part of the “Green Mobility” initiative. Further, sustainability is integrated into its operations at all levels to respond to the dynamic changes occurring globally, regionally, and locally.

At 31 December 2022, the Group had 5 customers (2021: 5 customers) that accounted for approximately 29% (2021: 28%) 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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,
- restricted cash, margins and bank deposits, and
- other current assets

While other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Definition of default

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.

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.

The expected loss rates are based on the roll rates of receivables over a period of 12 quarters before 31 December 2022 or 1 January 2022 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

Accounts receivable (continued)

On that basis, the impairment loss as at 31 December 2022 and 31 December 2021 was determined as follows for accounts receivable:

31 December 2022	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	1%	11%	49%	59%	100%	8%
Gross carrying amount – Accounts receivable in AED'000	1,053,386	82,002	20,879	14,159	55,905	1,226,331
Expected credit loss in AED'000	12,494	8,977	10,223	8,322	55,905	95,921
Carrying amount in AED'000	1,040,892	73,025	10,656	5,837	-	1,130,410

31 December 2021	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	1%	12%	34%	63%	100%	7%
Gross carrying amount – Accounts receivable in AED'000	1,123,895	104,880	19,050	12,036	51,605	1,311,466
Expected credit loss in AED'000	13,698	12,655	6,451	7,635	51,605	92,044
Carrying amount in AED'000	1,110,197	92,225	12,599	4,401	-	1,219,422

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Restricted cash, margins and fixed deposits

During the year ended 31 December 2022 the impairment reversal on cash bank balances amounted to AED 1,434 thousand (2021: loss of AED 912 thousand) due to the economic in Lebanon as detailed in Note 17.

As a result of the change in the spot rate used in translating the operations in Lebanon as per IAS 21 - The Effects of Changes in Foreign Exchange Rates, the restricted cash held at banks in Lebanon and the respective impairment loss recorded during 2020 and 2021 was reduced in the consolidated statement of profit or loss during the year 2021 in the amount of AED 20,428 thousand, as detailed in Note 17.

(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 Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods (Note 21).

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.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 December 2022	Less than 3 months	Between 3 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Interest-bearing loans and borrowings	45,994	59,777	19,276	110,383	969,577	1,205,007	1,125,169
Lease liabilities	68,570	150,288	174,112	285,765	582,762	1,261,497	938,723
Bank overdrafts	131,793	-	-	-	-	131,793	131,353
Accounts payable, income tax provision, provisions, and other non-current and current liabilities (excluding deferred revenue and deferred income)	1,139,892	-	925	-	-	1,140,817	1,140,817
	1,386,249	210,065	194,313	396,148	1,552,339	3,739,114	3,336,062

31 December 2021	Less than 3 months	Between 3 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Interest-bearing loans and borrowings	12,611	18,500	15,661	129,610	-	176,382	164,683
Lease liabilities	73,370	157,701	186,764	326,416	573,517	1,317,768	935,315
Bank overdrafts	153,914	-	-	-	-	153,914	153,113
Accounts payable, income tax provision, provisions, and other non-current and current liabilities (excluding deferred revenue and deferred income)	1,236,631	-	-	-	-	1,236,631	1,236,631
	1,476,526	176,201	202,425	456,026	573,517	2,884,695	2,489,742

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.

The capital structure of the Group consists of net debt (interest-bearing loans and borrowings disclosed in note 21 after deducting cash and bank balances) and equity of the Group (comprising share capital, statutory reserve and retained earnings).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total loans and borrowings (including current and non-current interest-bearing loans borrowings as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2022 and 2021 was as follows:

	2022 AED'000	2021 AED'000
Interest-bearing loans and borrowings (excluding bank overdraft) (Note 21)	1,125,169	164,683
Less: Cash and cash equivalents (Note 17)	(627,601)	(558,687)
Net debt	497,568	(394,004)
Equity (comprising share capital, statutory reserve and retained earnings)	3,880,667	3,405,472
Capital	4,378,235	3,011,468
Gearing ratio	11%	-

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 2022 and 2021, 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 2022, items measured at fair value have been measured at level 3 valuation techniques for an amount of AED 17,667 thousand (2021: AED 17,638 thousand), the movement in level 3 is disclosed in Note 13.

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

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

Fair values of financial instruments (continued)

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 2022, the Group utilised 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 o 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.

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

	Changes in useful lives %	Effect on profit before tax AED '000
Leasehold improvements	+10	(1,504)
Buildings	+10	(1,465)
Furniture and fixtures	+10	(492)
Warehousing racks	+10	(573)
Office equipment	+10	(2,423)
Computers	+10	(4,269)
Vehicles	+10	(917)

4 Key estimates and judgments (continued)

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 S.A.L. and Aramex International Hava Kargo Ve Kerye Anonim Sirketi have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of Aramex Lebanon S.A.L. and Aramex International Hava Kargo Ve Kerye Anonim Sirketi have been expressed in terms of the measuring units current at the reporting date.

Aramex Lebanon S.A.L.

The economy of Lebanon was assessed to be hyperinflationary during 2020, and hyperinflation accounting has been applied since. Upon application of hyperinflation, net prior period losses of AED 4,757 thousand were recognised directly in equity during 2022 (2021: losses of AED 34,862 thousand were recognised directly in equity during 2021).

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

	Base year	General price index	Inflation rate (%)
31 December 2022*	2022	1.56	1,670
31 December 2021	2021	2.04	753
31 December 2020	2020	1.54	173

*The cumulative inflation rate over three years as at 31 December 2022 is 1,670% (2021: 753%). The average adjustment factor used for 2022 was 1.56 (2021: 2.04).

Aramex International Hava Kargo Ve Kerye Anonim Sirketi

The economy of Turkey was assessed to be hyperinflationary during 2022, and hyperinflation accounting has been applied since. Upon application of hyperinflation, net prior period gain of AED 7,367 thousand were recognised directly in equity during 2022.

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

	Base year	General price index	Inflation rate (%)
31 December 2022*	2022	1.18	156
31 December 2021	2021	1.23	74
31 December 2020	2020	1.08	54

*The cumulative inflation rate over three years as at 31 December 2022 is 156% (2021: 74%). The average adjustment factor used for 2022 was 1.18 (2021: 1.23).

4 Key estimates and judgments (continued)

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 7 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, refer to Note 22 for the actuarial assumptions and sensitivity.

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 8 for the additional key assumptions used in calculating the impairment of the intangible assets with indefinite lives.

Lease extension, termination options and incremental borrowing rate

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2022, 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 Property and equipment

	Land	*Leasehold improvements*	*Buildings*	*Furniture and fixtures*	*Warehousing racks*	*Office equipment*	*Computers*	*Vehicles*	*Capital work in progress*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2022										
Cost:										
At 1 January 2022	84,156	139,017	525,761	49,447	72,957	262,176	364,325	84,688	33,647	1,616,174
Acquisition of a subsidiary (Note 37)	-	1,967	-	11,281	-	-	3,623	-	8,268	25,139
Additions	-	7,908	1,253	3,304	6,575	18,733	17,875	11,120	12,373	79,141
Transfers	-	6,232	-	-	4,794	8,904	13,513	-	(33,443)	-
Disposals	-	(13,825)	-	(5,822)	(2,378)	(7,663)	(16,278)	(6,769)	(6,441)	(59,176)
Reclassification	-	-	-	-	(6)	6	-	-	-	-
Impact of hyperinflation	-	1,346	472	34	338	617	801	2,130	-	5,738
Exchange differences	(7,564)	(6,447)	(10,966)	(2,122)	(6,314)	(11,295)	(10,624)	(6,953)	-	(62,285)
At 31 December 2022	76,592	136,198	516,520	56,122	75,966	271,478	373,235	84,216	14,404	1,604,731
Depreciation:										
At 1 January 2022	-	79,398	113,924	31,837	27,768	134,329	228,908	58,580	-	674,744
Charge for the year	-	15,037	14,650	4,919	5,728	24,234	42,687	9,166	-	116,421
Disposals	-	(12,865)	-	(5,324)	(2,064)	(6,406)	(11,027)	(5,768)	-	(43,454)
Impact of hyperinflation	-	1,159	472	21	170	315	730	1,839	-	4,706
Exchange differences	-	(3,701)	(3,508)	(1,345)	(2,210)	(6,701)	(8,625)	(5,293)	-	(31,383)
At 31 December 2022	-	79,028	125,538	30,108	29,392	145,771	252,673	58,524	-	721,034
Net book value:										
At 31 December 2022	76,592	57,170	390,982	26,014	46,574	125,707	120,562	25,692	14,404	883,697

5 Property and equipment (continued)

	Land AED'000	*Leasehold improvements AED'000*	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Warehousing racks AED'000*	*Office equipment AED'000*	*Computers AED'000*	*Vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
2021										
Cost:										
At 1 January 2021	86,119	138,552	551,760	50,141	70,741	245,195	334,206	91,216	42,489	1,610,419
Additions	-	14,938	3,293	4,304	10,839	20,957	39,102	12,271	27,855	133,559
Transfers	-	1,951	14,339	122	249	13,246	6,790	-	(36,697)	-
Disposals	-	(3,162)	(34,396)	(762)	(4,388)	(7,916)	(8,152)	(10,319)	-	(69,095)
Reclassification	-	-	-	(762)	-	762	-	-	-	-
Impact of hyperinflation	-	(6,016)	(2,702)	(1,698)	(1,976)	(3,516)	(2,483)	(2,896)	-	(21,287)
Exchange differences	(1,963)	(7,246)	(6,533)	(1,898)	(2,508)	(6,552)	(5,138)	(5,584)	-	(37,422)
At 31 December 2021	84,156	139,017	525,761	49,447	72,957	262,176	364,325	84,688	33,647	1,616,174
Depreciation:										
At 1 January 2021	-	72,844	136,405	29,928	26,934	123,595	197,711	66,247	-	653,664
Charge for the year	-	13,317	15,903	4,390	4,800	22,896	40,593	8,892	-	110,791
Disposals	-	(2,188)	(32,733)	(548)	(2,928)	(7,432)	(2,677)	(9,738)	-	(58,244)
Impact of hyperinflation	-	(1,485)	(2,224)	(869)	(266)	(1,430)	(2,261)	(2,479)	-	(11,014)
Exchange differences	-	(3,090)	(3,427)	(1,064)	(772)	(3,300)	(4,458)	(4,342)	-	(20,453)
At 31 December 2021	-	79,398	113,924	31,837	27,768	134,329	228,908	58,580	-	674,744
Net book value:										
At 31 December 2021	84,156	59,619	411,837	17,610	45,189	127,847	135,417	26,108	33,647	941,430

5 Property and equipment (continued)

Depreciation charge for the year is allocated as follows:

	2022 AED'000	2021 AED'000
Administrative expense (Note 29)	78,908	74,108
Cost of services (Note 28)	37,513	36,683
	116,421	110,791

6 Leases

Right of use assets

	Land AED'000	Buildings AED'000	Equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost:					
At 1 January 2021	194,789	820,709	7,042	226,124	1,248,664
Additions	123	262,494	457	90,463	353,537
Reclassification	-	52	104	(156)	-
Disposals	(20,150)	(164,069)	(470)	(69,568)	(254,257)
Exchange differences	-	(41,063)	(293)	(5,561)	(46,917)
Impact of hyperinflation	-	(29,668)	-	(5,728)	(35,396)
At 31 December 2021	174,762	848,455	6,840	235,574	1,265,631
Additions	13,406	250,637	1,535	60,109	325,687
Reclassification	-	-	507	(507)	-
Disposals	(1,193)	(192,317)	(3,955)	(70,190)	(267,655)
Exchange differences	(291)	(43,117)	(480)	(10,945)	(54,833)
Impact of hyperinflation	-	7,699	-	(38)	7,661
At 31 December 2022	186,684	871,357	4,447	214,003	1,276,491
Accumulated depreciation:					
At 1 January 2021	14,906	234,851	2,965	105,813	358,535
Charge for the year	7,145	170,239	2,179	72,385	251,948
Disposals	(4,851)	(139,092)	(470)	(68,740)	(213,153)
Exchange rate difference	(3)	(12,483)	(176)	(3,919)	(16,581)
Impact of hyperinflation	-	(4,928)	-	(4,456)	(9,384)
At 31 December 2021	17,197	248,587	4,498	101,083	371,365
Charge for the year	7,502	171,099	1,936	66,707	247,244
Disposals	(1,183)	(122,132)	(3,854)	(58,255)	(185,424)
Exchange rate difference	(116)	(17,027)	(364)	(4,537)	(22,044)
Impact of hyperinflation	-	4,914	-	(88)	4,826
At 31 December 2022	23,400	285,441	2,216	104,910	415,967
Net book value:					
At 31 December 2022	163,284	585,916	2,231	109,093	860,524
At 31 December 2021	157,565	599,868	2,342	134,491	894,266

6 Leases (continued)

Right of use assets (continued)

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2022 AED'000	2021 AED'000
Depreciation charge of right-of-use assets		
Administrative expense (Note 29)	68,344	70,398
Cost of services (Note 28)	178,900	181,550
	247,244	251,948
Finance costs – lease liabilities	46,343	46,777
Expense relating to short-term and low-value leases (included in cost of services)	2,171	1,360
Expense relating to short-term and low-value leases (included in administrative expenses)	2,551	2,678

The total cash outflow for leases in 2022 was AED 241,039 thousand (2021: AED 264,890 thousand).

Lease liabilities

	Future minimum lease payments *AED'000*	*Interest* *AED'000*	*Present value of minimum lease payments* *AED'000*
2022			
Within one year	218,858	37,171	181,687
After one year	1,042,640	285,604	757,036
Total	1,261,498	322,775	938,723
2021			
Within one year	231,071	50,689	180,382
After one year	1,086,697	331,764	754,933
Total	1,317,768	382,453	935,315

Lease liabilities measured at present value were unwound during the year ended 31 December 2022 for an amount of AED 46,343 thousand (2021: AED 46,777 thousand) where a portion amounting to AED 184 thousand was unpaid as of 31 December 2022 (2021: AED 199 thousand).

7 Goodwill

	2022 AED'000	2021 AED'000
At 1 January	1,002,568	1,135,511
Discontinued operations	-	(109,389)
Acquisitions*	790,077	5,142
Impairment	-	(2,975)
Exchange differences	(34,965)	(25,721)
At 31 December	1,757,680	1,002,568

*On 1 June 2022, the Group entered into an acquisition agreement through a Sale and Purchase Agreement (SPA) to acquire 100% equity securities of "Access Shipping LLC"; a cross-border e-commerce platform, providing cost-effective package forwarding solutions to customers. The excess between the provisional fair value of the groups of assets acquired and the consideration paid amounted to AED 790,077 thousand which was recognised as goodwill (Note 37).

7 Goodwill (continued)

On 24 December 2020, the Group entered into a Sale and Purchase Agreement (SPA) to acquire 100% equity interest in Aramex Canterbury Regional Franchise in New Zealand. On 1 June 2021, the agreement was settled for a cash consideration of AED 4,895 thousand. The excess between the fair value of the groups of assets acquired and the consideration paid amounted to AED 4,659 thousand which was recognised as goodwill. An additional amount of AED 483 thousand was recognised as goodwill as a result of an acquisition of 100% equity interest in Perth Regional Franchise.

The Group performed its annual impairment test on 31 December 2022 and 2021. 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 2021, the market capitalisation of the Group for publication and distribution cash generating unit was below the book value of its equity. Impairment in the amount of AED 2,975 thousand was recognised in the consolidated statement of profit or loss. The market capitalisation of the Group for the remaining cash generating units 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:

	2022 AED’000	2021 AED’000
MyUS	790,077	-
Publication and distribution	6,212	6,212
Aramex: *		
Domestic shipping	464,533	486,430
Express shipping	261,527	268,406
Freight forwarding	162,745	167,025
Logistics	72,586	74,495
	1,757,680	1,002,568

* Aramex is the cash generating unit which includes sub segments related to domestic shipping, express shipping, freight forwarding and logistics.

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

Discount rates for the main cash generating units – 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 is 9.5% (2021: 9.5%) and 11% for Aramex and MyUS cash generating units, respectively. 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 for the main cash generating units – Growth rate used of 3.2% (2021: 3.1%) and 3% are based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory of Aramex and MyUS cash generating units, respectively.

7 Goodwill (continued)

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.

8 Other intangible assets

	Customer lists and other intangible assets with definite useful life AED'000	*Franchises with indefinite useful life* AED'000*	*Other intangible assets AED'000*	*Brand AED'000*	Total *AED'000*
Cost:					
At 1 January 2021	56,760	194,185	6,856	-	257,801
Exchange differences	-	(10,086)	-	-	(10,086)
At 31 December 2021	56,760	184,099	6,856	-	247,715
Acquisition of a subsidiary (Note 37)	60,451	-	42,789	37,963	141,203
Exchange differences	-	(13,088)	-	-	(13,088)
At 31 December 2022	117,211	171,011	49,645	37,963	375,830
Amortisation and impairment:					
At 1 January 2021	36,824	-	4,572	-	41,396
Amortisation	2,780	-	2,284	-	5,064
At 31 December 2021	39,604	-	6,856	-	46,460
Amortisation	3,340	-	1,273	395	5,008
At 31 December 2022	42,944	-	8,129	395	51,468
Net book value:					
At 31 December 2022	74,267	171,011	41,516	37,568	324,362
At 31 December 2021	17,156	184,099	-	-	201,255

* 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 intends to renew the franchise continuously and evidence supports its ability to do so. An analysis of market and competitive trends provides evidence that the franchise will generate net cash inflows for the Group for an indefinite period. Therefore, the franchise is carried at cost without amortisation, but is tested for impairment annually.

The Group performed its annual impairment test on 31 December 2022 and 2021. 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 2022, 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.

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.

8 Other intangible assets (continued)

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

Growth rate estimates – Growth rate used of 2.3% (2021: 2.5%) 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 9.5% to 9.8% (2021: 8.2% to 8.6%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

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 Non-controlling interests

As at 31 December 2022 and 2021, there were no subsidiaries with material non-controlling interest to the Group.

10 Discontinued operation

(A) Description

(i) Disposal group of assets related to Information Fort LLC Group

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.

(ii) Group of assets disposed

During the years ended 31 December 2022 and 31 December 2021, most of the group of assets were sold with effect on 31 August 2021, 31 January 2022 and 31 July 2022 and the results of the operation along with the gain on sale is reported in the current period as discontinued operations on the consolidated statement of profit or loss for the year. The related assets and liabilities of the disposed group of assets have been derecognised from the consolidated statement of financial position.

(iii) Group of assets held for sale

The remaining group of assets not yet disposed and recorded as assets/liabilities held for sale, are recognised in the consolidated statement of profit or loss as discontinued operations. The related assets and liabilities of the group of assets held for sale are classified separately on the consolidated statement of financial position. These remaining group of assets are still under process of disposal.

10 Discontinued operation (continued)

(B) Financial performance of the discontinued operation

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

	2022 AED '000	2021 AED '000
Rendering of services	6,055	120,393
Direct costs	(4,426)	(60,190)
Gross profit	1,629	60,203
Selling and marketing expenses	(409)	(6,643)
Administrative expenses	(381)	(30,128)
Net impairment reversal/(loss) on financial assets	605	(2,946)
Other expenses, net	(330)	(756)
Operating profit	1,114	19,730
Finance income	-	359
Finance expense	(161)	(2,153)
Profit before income tax	953	17,936
Income tax expense	(101)	(2,195)
Profit for the year	852	15,741
Gain on sale of discontinued operations	3,515	31,608
Profit from discontinued operations	4,367	47,349
Other comprehensive income	-	(5,723)
Total comprehensive income	4,367	41,626
Profit for the year attributable to:		
Equity holders of the Parent	4,367	46,246
Non–controlling interests	-	1,103
	4,367	47,349

(C) Assets held for sale

The summarised financial position for Information Fort LLC, which is accounted for as a group of assets classified as held for sale are as follows:

	2022 AED'000	2021 AED'000
Assets		
Non-current assets		
Property and equipment	1,581	2,867
Right of use assets	4,198	2,868
	5,779	5,735
Current assets		
Accounts receivable, net	752	2,867
Other current assets	38	140
Cash and bank balances	-	1,908
	790	4,915
Total assets	6,569	10,650

10 Discontinued operation (continued)

(C) **Assets held for sale** (continued)

	2022 AED'000	2021 AED'000
Liabilities		
Non-current liabilities		
Employees' end of service benefits	187	271
Lease liabilities	2,607	1,118
	2,794	1,389
Current liabilities		
Trade payables	59	207
Lease liabilities	1,646	1,608
Other current liabilities	392	1,210
Income tax provision	16	91
	2,113	3,116
Total liabilities	4,907	4,505
Net assets directly associated with disposal group	1,662	6,145

Cash flows from discontinued operations:

Net cash generated from operating activities	1,915	5,517
Net cash used in investing activities	(10)	(26)
Net cash used in financing activities	(1,905)	(2,727)
Net cash inflows	-	2,764

(D) **Sale of a subsidiary**

The financial information relating to the discontinued operations as of the date of disposal of the group of assets is set out below:

	31 July 2022 AED'000	31 January 2022 AED'000	31 August 2021 AED'000
Assets			
Non-current assets			
Property and equipment	281	488	78,891
Right of use assets	195	1,030	45,843
Goodwill	-	-	6,438
Other intangible assets	-	-	892
Deferred tax assets	-	-	925
	476	1,518	132,989
Current assets			
Accounts receivable, net	526	414	31,542
Other current assets	8	15	21,694
Cash and cash equivalents	-	1,350	43,430
	534	1,779	96,666
Total assets	1,010	3,297	229,655

10 Discontinued operation (continued)

(D) Sale of a subsidiary (continued)

	31 July 2022 AED'000	31 January 2022 AED'000	31 August 2021 AED'000
Liabilities			
Non-current liabilities			
Employees' end of service benefits	115	-	15,393
Lease liabilities	-	-	38,994
Deferred tax liabilities	-	-	1,251
	115	-	55,638
Current liabilities			
Trade payables	301	-	6,794
Lease liabilities	179	1,209	8,661
Other current liabilities	243	343	61,001
Income tax provision	-	-	2,240
	723	1,552	78,696
Total liabilities	838	1,552	134,334
Non-controlling interests	-	-	3,223
Net assets directly associated with disposal group	172	1,745	92,098

In accordance with the SPA, the management has recorded an amount receivable for AED 47,101 thousand from the remaining balance available in the escrow account, where the Group has made an estimate of potential claims and true-up adjustments on the basis of the available information as at the reporting date and has accordingly recognised a receivable from the escrow account. During the time specified in the SPA and once the adjustments have crystallised as a result of procedures described in the SPA, as well as the result of the Purchaser identifying any amounts that would represent claims as defined in the SPA, those adjustments will be recognised prospectively as changes in estimates in the consolidated statement of profit or loss in the period when they take place. As at 31 August 2021, the fair value of the consideration was determined to be AED 335,157 thousand. During February 2022, the Group received an amount of AED 437 thousand as a true-up adjustment to the initial escrow account, recognised as gain in the consolidated statement of profit or loss.

During the year ended 31 December 2022, an amount of AED 11,018 thousand was collected by the Group as a partial settlement of the escrow account. The remaining balance of AED 36,083 thousand is expected to be collected in the next 12 months.

The gain on sale of the subsidiaries has been calculated as follows at each disposal date:

	31 July 2022 AED'000	31 January 2022 AED'000	31 August 2021 AED'000
Consideration received or receivable:			
Cash	1,693	2,108	288,056
Receivable	-	-	47,101
Total disposal consideration	1,693	2,108	335,157
Carrying amount of net assets sold (including goodwill recognised at the group level)	(172)	(1,745)	(237,327)

10 Discontinued operation (continued)

(D) **Sale of a subsidiary** (continued)

	31 July 2022 AED'000	31 January 2022 AED'000	31 August 2021 AED'000
Gain on sale before income tax, reclassification of foreign currency translation reserve and costs to sell	1,521	363	97,830
Reclassification of foreign currency translation reserve	-	-	(47,703)
Cash withheld related to products of Information Fort LLC not yet sold	-	-	(5,104)
Costs to sell	-	-	(13,415)
Gain on sale after income tax	1,521	363	31,608
True-up adjustment	-	437	-
Total gain on sale after income tax	1,521	800	31,608

In addition to the above, as at 31 December 2022, an amount of AED 1,194 thousand was recognised as a gain from the winding down of a subsidiary of Information Fort LLC.

11 Investments in joint ventures

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

	Ownership percentage		*Country of incorporation*	*Nature of activity*	*Book value*	
	2022 %	2021 %			2022 AED'000	2021 AED'000
Aramex Sinotrans Co. LTD	50	50	China	Express, freight and logistics services	20,564	32,594
Others	50	50	-	-	-	-
					20,564	32,594

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:

	2022		
	Aramex Sinotrans Co. LTD AED'000	*Others* AED'000	*Total* AED'000
Non-current assets	10,476	39,370	49,846
Current assets*	77,682	14,527	92,209
Non-current liabilities	(3,364)	(50,105)	(53,469)
Current liabilities**	(43,666)	(3,792)	(47,458)
Equity	41,128	-	41,128
Proportion of the Group's ownership	50%	50%	50%
Carrying amount of the investment	20,564	-	20,564

* The current assets of Aramex Sinotrans Co. Ltd include cash at banks amounted to AED 30,899 thousand, accounts receivable amounted to AED 30,928 thousand and other current assets amounted to AED 15,855 thousand.

** The current liabilities of Aramex Sinotrans Co. Ltd include, accruals amounted to AED 14,878 thousand, trade payables amounted to AED 15,968 thousand, other current liabilities amounted to AED 9,263 thousand, tax provisions amounted to AED 142 thousand and lease liability of AED 3,415 thousand.

11 Investments in joint ventures (continued)

	2021		
	Aramex Sinotrans Co. LTD AED'000	*Others* AED'000	*Total* AED'000
Non-current assets	8,397	50,754	59,151
Current assets*	156,451	16,184	172,635
Non-current liabilities	(2,020)	(59,114)	(61,134)
Current liabilities**	(97,640)	(7,824)	(105,464)
Equity	65,188	-	65,188
Proportion of the Group's ownership	50%	50%	50%
Carrying amount of the investment	32,594	-	32,594

* The current assets of Aramex Sinotrans Co. Ltd include cash at banks amounted to AED 87,032 thousand, accounts receivable amounted to AED 51,187 thousand and other current assets amounted to AED 18,232 thousand.

** The current liabilities of Aramex Sinotrans Co. Ltd include, accruals amounted to AED 38,532 thousand, trade payables amounted to AED 45,395 thousand, other current liabilities amounted to AED 9,881, tax provisions amounted to AED 1,316 thousand and lease liability of AED 2,516 thousand.

Summarised statement of profit or loss of the joint ventures:

	2022		
	Aramex Sinotrans Co. LTD AED'000	*Others* AED'000	*Total* AED'000
Revenue	393,163	12,943	406,106
Cost of sale	(347,783)	(8,568)	(356,351)
Administrative expenses	(20,080)	(2,395)	(22,475)
Other expenses	(6,658)	(654)	(7,312)
Profit before tax	18,642	1,326	19,968
Income tax	(4,442)	-	(4,442)
Profit for the year	14,200	1,326	15,526
Group's share of profit for the year	7,100	619	7,719

	2021		
	Aramex Sinotrans Co. LTD AED'000	*Others* AED'000	*Total* AED'000
Revenue	578,265	16,900	595,165
Cost of sale	(513,536)	(12,360)	(525,896)
Administrative expenses	(19,594)	(3,311)	(22,905)
Other expenses	(14,250)	(1,257)	(15,507)
Profit/(loss) before tax	30,885	(28)	30,857
Income tax	(7,499)	-	(7,499)
Profit for the year	23,386	(28)	23,358
Group's share of profit/(loss) for the year	11,693	(14)	11,679

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2022 and 2021.

12 Investments in associates

The details of the investments in associates were as follows:

	Ownership percentage 2022 %	*Ownership percentage* 2021 %	*Country of incorporation*	*Nature of activity*	*Book value* 2022 AED'000	*Book value* 2021 AED'000
Linehaul Express Australia Pty Ltd	37.1	37.1	Australia	Domestic services	393	231
WS One Investment LLC	25	25	UAE	Express services	-	-
Aramex Thailand Ltd	49	49	Thailand	Logistics and transportation	4,004	4,623
					4,397	4,854

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

	2022			
	Linehaul Express Australia PTY Ltd AED'000	*WS One Investment LLC* AED'000	*Aramex Thailand Ltd* AED'000	*Total* AED'000
Non-current assets	149	2,267	775	3,191
Current assets	9,699	1,489	9,212	20,400
Non-current liabilities	-	-	(123)	(123)
Current liabilities	(8,790)	(3,756)	(1,693)	(14,239)
Equity	1,058	-	8,171	9,229
Proportion of the Group's ownership	37.1%	25%	49%	-
Group's share	393	-	4,004	4,397
Carrying amount of the investment	393	-	4,004	4,397

	2021			
	Linehaul Express Australia PTY Ltd AED'000	*WS One Investment LLC* AED'000	*Aramex Thailand Ltd* AED'000	*Total* AED'000
Non-current assets	418	2,267	878	3,563
Current assets	11,193	1,489	17,653	30,335
Non-current liabilities	(139)	-	(277)	(416)
Current liabilities	(10,850)	(3,756)	(8,820)	(23,426)
Equity	622	-	9,434	10,056
Proportion of the Group's ownership	37.1%	25%	49%	-
Group's share	231	-	4,623	4,854
Carrying amount of the investment	231	-	4,623	4,854

12 Investments in associates (continued)

	2022			
	Linehaul Express Australia PTY Ltd	*WS One Investment LLC*	*Aramex Thailand Ltd*	*Total*
	AED'000	AED'000	AED'000	AED'000
Revenue	92,176	-	25,672	117,848
Cost of sale	(88,074)	-	(19,478)	(107,552)
Administrative expenses	(3,595)	-	(2,605)	(6,200)
Other income/(expenses), net	255	-	(310)	(55)
Profit before tax	762	-	3,279	4,041
Income tax	(292)	-	(606)	(898)
Profit for the year	470	-	2,673	3,143
Group's share of profit for the year	174	-	1,310	1,484

	2021			
	Linehaul Express Australia PTY Ltd	*WS One Investment LLC*	*Aramex Thailand Ltd*	*Total*
	AED'000	AED'000	AED'000	AED'000
Revenue	98,339	18,349	60,741	177,429
Cost of sale	(95,537)	(32,012)	(45,419)	(172,968)
Administrative expenses	(3,339)	(7,849)	(3,520)	(14,708)
Other income/(expenses), net	206	-	(1,733)	(1,527)
(Loss)/profit before tax	(331)	(21,512)	10,069	(11,774)
Income tax	(64)	-	(1,749)	(1,813)
(Loss)/profit for the year	(395)	(21,512)	8,320	(13,587)
Group's share of (loss)/profit for the year	(146)	(5,378)	4,077	(1,447)

The associates had no contingent liabilities or capital commitments as at 31 December 2022 and 2021.

13 Financial assets at fair value through other comprehensive income

At 31 December 2022, 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.

	Ownership percentage		*Country of incorporation*	*Nature of activity*	*Book value*	
	2022	2021			2022	2021
	%	%			AED'000	AED'000
Unquoted equity financial assets						
What 3 Words Ltd	1.52	1.59	UK	Global addressing systems	15,241	15,241
Jamalon Inc.	7.49	7.49	British Virgin Islands	Online book retail	-	-
Gutechno Logistics Private Ltd	5.68	5.68	India	Local delivery solutions	-	-
Flirtey Tech Pty Ltd.	0.13	0.13	USA	Drone Technology	70	76
Unquoted debt financial assets						
Cell captive			South Africa	Insurance	1,254	1,219
Shippify Inc			USA	Food delivery	1,102	1,102
					17,667	17,638

13 Financial assets at fair value through other comprehensive income (continued)

For equity instruments at fair value through OCI, gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment. During 2022 and 2021, the Group invested in and disposed of certain shares and securities for strategic and commercial purposes as shown in the following table:

	2022 AED'000	2021 AED'000
As at 1 January	17,638	25,451
Gain from revaluation of debt instruments	111	572
Net loss from revaluation of equity instruments	-	(8,325)
Exchange differences	(82)	(60)
As at 31 December	17,667	17,638

14 Income tax

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

Consolidated statement of profit or loss

	2022 AED'000	2021 AED'000
Current income tax expense	51,781	89,705
Deferred tax	(26,107)	(8,233)
Income tax expense reported in the consolidated statement of profit or loss	25,674	81,472

Deferred tax relates to the following:

	2022	2021
Provision for expected credit losses	7,388	4,485
Impact of hyperinflation	1,360	(1,947)
Impact of IFRS 16	8,474	5,375
Depreciation	(6,543)	(10,302)
Employees' end of service benefits	9,015	9,926
Net operating losses carried forward	10,064	649
Intangible assets with indefinite useful life	(49,378)	(53,006)
Others	16,927	10,712
	(2,693)	(34,108)
Recognised as follows:		
As deferred tax assets	28,135	8,006
As deferred tax liabilities	(30,828)	(42,114)
	(2,693)	(34,108)

Reconciliation of deferred tax liability, net:

	2022	2021
At 1 January	(34,108)	(50,573)
Deferred tax assets	26,107	8,233
Foreign exchange	5,308	8,232
At 31 December	(2,693)	(34,108)

14 Income tax (continued)

Reconciliation between accounting profit and taxable profit:

	2022 AED'000	2021 AED'000
Accounting profit before income tax	190,208	262,224
Non-deductible expenses	107,965	52,962
Taxable profit	298,173	315,186
Income tax expense reported in the consolidated statement of profit or loss	25,674	81,472
Effective income tax rate (%)	13.50%	31.07%

Movements on income tax provision were as follows:

	2022 AED'000	2021 AED'000
At 1 January	62,547	78,165
Income tax expense for the year	51,781	89,705
Income tax paid	(58,782)	(96,549)
Foreign exchange	(9,508)	(8,774)
At 31 December	46,038	62,547

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.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree Law No. (47) of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax regime in the UAE. The Law was previously gazetted on 10 October 2022, becoming law 15 days later. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375 thousand based on information released by the Ministry of Finance).

However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Group has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status in the United Arab Emirates.

Aramex PJSC is currently in the process of assessing the possible impact on its consolidated financial statements, both from current and deferred tax perspective, once Federal Decree Law No. (47) of 2022 becomes substantively enacted. Income tax appearing in the consolidated statement of financial position represents the income tax provision of Group's subsidiaries as of 31 December.

15 Accounts receivable, net

	2022 AED'000	2021 AED'000
Accounts receivable	1,226,331	1,311,466
Less: impairment for expected credit losses	(95,921)	(92,044)
	1,130,410	1,219,422

15 Accounts receivable, net (continued)

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

	2022 %	2021 %
Gulf Cooperation Council	49	46
Middle East, North Africa and Turkey	12	13
East and South Africa	5	4
Europe	12	12
North America	6	5
North Asia	2	5
South Asia	8	10
Oceania	6	5

As at 31 December 2022, accounts receivable at nominal value of AED 95,921 thousand (2021: AED 92,044 thousand) were impaired. Movement on expected credit losses was as follows:

	2022 AED'000	2021 AED'000
At 1 January	92,044	87,798
Charge for the year, net	17,532	15,635
Amounts written-off	(10,156)	(4,132)
Acquisition of a subsidiary	3,898	-
Impact of translation	-	(3,665)
Foreign exchange	(7,397)	(3,592)
At 31 December	95,921	92,044

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.

16 Other current assets

	2022 AED'000	2021 AED'000
Prepaid expenses	55,355	53,338
Escrow receivable (Note 10, 37)	54,446	47,101
Advances to suppliers	50,636	79,587
Refundable deposits	39,665	37,172
Withholding tax	23,262	24,603
Other receivables*	60,786	51,908
	284,150	293,709

* As at 31 December 2022, the Group had other receivables amounting to AED 60,786 thousand (2021: AED 51,908 thousand) that mainly represent stationery, supplies and other receivables.

17 Cash and bank balances

	2022 AED'000	2021 AED'000
Cash and cash equivalents	758,954	711,800
Restricted cash, margins and fixed deposits*	9,488	57,641
	768,442	769,441

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 (2021: 2.6% - 2.8% per annum).

17 Cash and bank balances (continued)

Included in cash at banks are amounts totalling AED 503,758 thousand (2021: AED 620,536 thousand) of cash held at foreign banks abroad and amounts totalling approximately AED 60,738 thousand (2021: AED 141,284 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.

* Margins and bank deposits consist of margin deposits of AED 7,020 thousand (2021: AED 7,375 thousand) and long-term deposits with maturities greater than 3 months of AED 2,779 thousand (2021: AED 48,043 thousand).

	2022 AED'000	2021 AED'000
Restricted cash	40	4,008
Less: impairment for expected credit losses	(38)	(1,785)
	2	2,223
Exchange rate difference	(313)	-
	(311)	2,223

Movement on expected credit losses was as follows:

	2022 AED'000	2021 AED'000
At 1 January	1,785	21,301
(Reversal)/charge for the year	(1,434)	912
Exchange rate difference	(313)	-
Impact of translation	-	(20,428)
At 31 December	38	1,785

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

	2022 AED'000	2021 AED'000
Cash and cash equivalents	758,954	711,800
Less: bank overdrafts (Note 24)	(131,353)	(153,113)
	627,601	558,687

18 Share capital

	2022	2021
Authorised, issued and paid up capital	AED'000	AED'000
1,464,100,000 ordinary shares of AED 1 each (2021: 1,464,100,000 ordinary shares of AED 1 each)	1,464,100	1,464,100

19 Reserves

Statutory reserve

In accordance with the Company's Articles of Association and the UAE Federal Decree Law No. (32) of 2021, 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.

19 Reserves (continued)

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.

	2022 AED'000	2021 AED'000
At 1 January	(12,177)	(6,214)
Net gain/(loss) from revaluation	32	(7,065)
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	1,102
At 31 December	(12,145)	(12,177)

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 – Employee Benefits.

	2022 AED'000	2021 AED'000
At 1 January	169	(850)
Remeasurements of post-employment benefit obligations	172	12
Disposal of a subsidiary	-	1,007
At 31 December	341	169

20 Dividends

At the Annual General Meeting of the shareholders held on 21 April 2022, the shareholders approved a cash dividend of 13% for the year ended 31 December 2021 (31 December 2020: cash dividend of 13% was approved at the Annual General Meeting of the shareholders held on 21 April 2021 for the year ended 31 December 2020) of the issued and paid-up capital amounting to AED 1,464,100 thousand (31 December 2021: AED 1,464,100 thousand). The dividends per share amount to AED 0.13 (31 December 2021: AED 0.13).

21 Interest-bearing loans and borrowings

	2022 AED'000	2021 AED'000
Non-current		
Term loans (a)	1,086,091	135,885
Notes payable	213	1,374
	1,086,304	137,259
Current		
Term loans (a)	36,886	23,553
Notes payable	1,979	3,871
	38,865	27,424

21 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 utilised as at 31 December 2022 is nil (2021: nil). 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), Aramex Saudi Limited Company, Aramex UK Limited, Aramex Doha WLL and Aramex International Limited (Kuwait).

HSBC loan (1)

During 2021, Aramex Fastway refinanced a 5 year term loan agreement with HSBC Bank Australia that matured in January 2021. The total loan amount is AED 83.2 million (AUD 28.7 million) bearing annual interest rate of AUD (BBSY) plus a margin of 2.1% p.a. The term loan is repayable in 20 consecutive quarterly instalments, the first instalment was due on 31 March 2021. The purpose of the loan is to finance capital expenditure of the Group or general corporate purposes of the Group. The loan is secured by corporate guarantee extended by Aramex PJSC.

HSBC loan (2)

During 2021, Aramex New Zealand refinanced a 5 year term loan agreement with HSBC Bank New Zealand that matured in January 2021. The total loan amount is AED 85 million (NZD 31.62 million) bearing annual interest rate of NZD (BKBM) plus a margin of 2.1% p.a. The term loan is repayable in 20 consecutive quarterly instalments, the first instalment was due on 31 March 2021. The purpose of the loan is to finance capital expenditure of the Group or general corporate purposes of the Group. The loan is secured by corporate guarantee extended by Aramex PJSC.

Acquisition Financing – MyUS Syndicated loan

On 5th August 2022, Aramex UK and Aramex USA entered into a new 5 year credit facility agreement with a syndicate of banks comprising Emirates NBD Bank PJSC and First Abu Dhabi Bank PJSC. The purpose of this facility is to fund MyUS acquisition. The loan is secured by corporate guarantee extended by Aramex PJSC, Aramex Abu Dhabi LLC, Aramex Emirates LLC, Aramex Hong Kong Limited, Aramex Int'l Egypt for Air & Local Services (Egypt), Aramex Saudi Limited Company, Aramex UK Limited, Aramex Doha WLL, Aramex International Limited (Kuwait), Aramex USA and MyUS. The financing arrangement of the loan has been agreed to be drawn in GBP and USD currencies with interest rates as detailed below:

(1) The loan was drawn by Aramex UK on 14th October 2022 from Emirates NBD Bank PJSC. The amount drawn under the facility is GBP 53.825 million (AED 239.2 million) bearing a quarterly interest rate which is the aggregate of the over-night SONIA daily rate compounded in arrears plus a margin of 1.25% p.a.

(2) The loan was drawn by Aramex UK on 17th October 2022 from Emirates NBD Bank PJSC. The amount drawn under the facility is USD 50 million (AED 183.6 million) bearing a quarterly interest rate which is the aggregate of the over-night SOFR daily rate compounded in arrears plus a margin of 1.35% p.a.

(3) The loan was drawn by Aramex USA on 17th October 2022 from First Abu Dhabi Bank PJSC. The amount drawn under the facility is USD 150 million (AED 550.9 million) bearing a quarterly interest rate which is the aggregate of the over-night SOFR daily rate compounded in arrears plus a margin of 1.35% p.a.

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 2022.

21 Interest-bearing loans and borrowings (continued)

(a) Term loans (continued)

Others

Term loans also include a number of loans obtained by Group with a balance of AED 3 million to finance their operating activities. These loans carry interest at commercial rates, are repayable in regular instalments 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 2023 for long-term loans as of 31 December 2022 are as follows:

	AED'000
Year	
2023	36,886
2024	12,248
2025	11,593
2026	92,673
2027 thereafter	969,577
	1,122,977

22 Employees' end of service benefits

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

	2022 AED'000	2021 AED'000
At 1 January	148,822	149,187
Provided during the year	35,066	33,813
Paid during the year	(20,417)	(31,732)
Reclassification during the year	1,800	-
Discontinued operations	(22)	(56)
Actuary valuation through other comprehensive income	(172)	(12)
Exchange differences	(941)	(2,378)
At 31 December	164,136	148,822

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

	2022 %	2021 %
Discount rate	4.55 - 8	1.54 - 9
Salary increase rate	3.30 - 6	1 - 10
Normal retirement age (years)	64	64

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 December 2022 and 31 December 2021 is, as shown below:

	Impact on defined benefit obligation	
	2022 AED'000	2021 AED'000
Discount rate:		
0.5% increase	(862)	(400)
0.5% decrease	315	898
Salary increase rate:		
0.5% increase	316	898
0.5% decrease	(868)	(406)

22 Employees' end of service benefits (continued)

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.

Employees' benefit liability

During 2022, the shareholders approved the introduction of a 3-years vesting period long term incentive plan designed to attract, retain and motivate selective members of the Company's management team to deliver long-term shareholder returns. The plan is subject to long term financial results and performance including Earnings Before Interest and Tax (EBIT) and change of the Company's share price from the grant date to the vesting date. Under the plan, participants are granted award certificates which only vest if certain performance standards are met. Participation in the plan is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The awards are granted annually and will be settled in cash on vesting date.

In January 2022, cash awards amounting to AED 9,687 thousand were granted to senior executives with a vesting date on 31 December 2024.

As at 31 December 2022, the Group recognised an amount of AED 925 thousand in the consolidated statement of profit or loss and other comprehensive income with the recognition of corresponding non-current liability under Employees' benefit liability in the same amount (Note 26).

There have been no grants forfeited or exercised from the employees' benefit liability during the year ended 31 December 2022.

Cash awards are granted for no consideration and vest over a three-year period. Vested awards are exercisable on vesting date.

Grant date: 1 January 2022
Expiry date: 31 December 2024
Share price at grant date: AED 4.06, and
Share price at reporting date: AED 3.52

23 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.

24 Bank overdrafts

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

	2022 AED'000	2021 AED'000
Aramex International LLC (HSBC)	72,222	47,744
Aramex Special Logistics (Citibank)	57,611	100,144
Aramex Tunisia (Arab Bank)	1,520	546
Aramex Algeria S.A.L (Citibank)	-	4,345
Aramex Kenya Limited (Citibank)	-	334
	131,353	153,113

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

25 Provisions

	2022 AED'000	2021 AED'000
Provision for damage on property and customer goods (Note 34)	17,871	19,765
Legal provisions (Note 36)	39,217	13,350
Other	-	1,318
	57,088	34,433

* Refer to note 41 for changes to comparatives.

26 Other current and non-current liabilities

(A) **Other current liabilities**	2022 AED'000	2021 AED'000
Accrued expenses	479,095	448,926
Sales tax and other taxes	64,682	67,026
Deferred revenue	23,153	20,467
Customers' deposits	21,998	10,438
Claims **	8,891	41,068
Social security taxes payable	6,478	6,636
Others *	130,846	221,437
	735,143	815,998

* As at 31 December 2022, the Group has had other liabilities related mainly to cash on delivery collected by the Group on behalf of the customers, amounting to AED 60,738 thousand (2021: AED 141,284 thousand) (Note 17).

** Refer to note 41 for changes to comparatives.

(B) **Other non-current liabilities**	2022 AED'000	2021 AED'000
Deferred income *	15,035	18,305
Employees' benefit liability	925	-
	15,960	18,305

* In August 2021, the Group entered into a license and a software agreement and deed of termination for an amount of AED 19,587 thousand, which was recognised as deferred income and is being amortised over the contract term of 10 years considered as a termination to the old contract and an advance to the new arrangement. An amount of AED 3,270 thousand was amortised during the year and recognised in the consolidated statement of profit or loss (2021: AED 1,282 thousand). The accumulated amortisation as of 31 December 2022 is AED 4,552 thousand.

Deferred income is classified in non-current liabilities and is credited to the consolidated statement of profit or loss on a straight-line basis over the contractual period.

27 Rendering of services

	2022 AED'000	2021 AED'000
International express	2,248,885	2,662,153
Freight forwarding	1,684,376	1,325,551
Domestic express	1,501,196	1,607,576
Logistics	445,294	434,856
Others*	46,254	38,669
	5,926,005	6,068,805

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

27 Rendering of services (continued)

Revenues are being recognised over time, when the services are rendered.

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.

28 Cost of services

	2022 AED'000	2021 AED'000
Freight forwarding costs	1,286,003	1,055,930
International express costs	1,189,425	1,499,589
Domestic express costs	696,235	782,683
Salaries and benefits (Note 31)	716,445	683,467
Depreciation of right of use assets (Note 6)	178,900	181,550
Logistics costs	140,775	163,380
Vehicle running and maintenance	89,201	82,702
Supplies	45,464	45,882
Depreciation of property and equipment (Note 5)	37,513	36,683
Communication expenses	17,256	12,664
Government fees and taxes	3,773	4,895
Others	100,711	88,513
	4,501,701	4,637,938

29 Administrative expenses

	2022 AED'000	2021 AED'000
Salaries and benefits (Note 31)	364,451	343,242
Repairs and maintenance	108,107	100,747
Depreciation of property and equipment (Note 5)	78,908	74,108
Depreciation of right of use assets (Note 6)	68,344	70,398
Professional fees	55,223	54,102
Communication expenses	46,428	53,471
Government fees and taxes	33,806	31,031
Insurance and security	31,623	27,942
Utilities	11,720	11,071
Travel expenses	11,651	5,348
Entertainment	7,510	6,468
Printing and stationary	5,390	5,662
Vehicle running expenses	3,343	2,847
Corporate social responsibility*	2,901	2,771
Sponsorship	302	262
Legal expenses	214	8,698
Others	77,727	89,486
	907,648	887,654

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

30 Other income, net

	2022 AED'000	2021 AED'000
Exchange loss	(17,399)	(14,624)
(Loss)/gain on disposals of property and equipment and right-of-use assets	(4,931)	2,943
Miscellaneous income	23,448	29,530
	1,118	17,849

31 Staff costs

	2022 AED'000	2021 AED'000
Salaries and allowances	1,251,535	1,214,578
End of service benefits	35,066	33,758
Other employees' benefits	15,286	14,853
	1,301,887	1,263,189
Staff costs are allocated as follows:		
Administrative expenses (Note 29)	364,451	343,242
Selling and marketing expenses	220,991	236,480
Cost of services (Note 28)	716,445	683,467
	1,301,887	1,263,189

32 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 profit or loss are as follows:

Directors' fees paid

Directors' fees of AED 2,334 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2022 were accrued for during 2022 (2021: an amount of AED 5,935 thousand were accrued for during 2021). Directors' fees of AED 4,240 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2021 were paid in 2022 (2021: AED 4,050 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2020 were paid in 2021).

Key management compensation

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

	2022 AED'000	2021 AED'000
Salaries and other short-term benefits	8,139	6,402
Board remuneration	4,240	4,050
End of service benefits	455	21
	12,834	10,473

Significant subsidiaries of the Group include:

Aramex Fastway Holdings PTY Ltd.
Aramex New Zealand Holdings Ltd
Aramex Nederland B.V.
Aramex Jordan Ltd.
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex Abu Dhabi LLC
Aramex Emirates LLC, UAE
Aramex Doha WLL
Aramex International Ltd
Aramex Ireland Limited
Aramex South Africa PTY Ltd.
Aramex Hong Kong Limited
Aramex Saudi Limited Company
Aramex International Logistics Private Ltd.
Aramex (UK) Limited

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

32 Related party transactions (continued)

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 2022 and 2021 are included in Notes 15 and 23:

		Sales to related parties AED'000	Cost from related parties AED'000	Amounts owed by related parties (a) AED'000	Amounts owed to related parties (b) AED'000
Associates and partners:					
	2022	2,151	1,791	23	1,276
	2021	22,444	1,208	4,629	1,432
Joint ventures in which the parent is a venture:					
	2022	98,052	505	9,865	12,885
	2021	150,119	640	40,651	-
Related parties and companies controlled by shareholders (c)					
	2022	146,434	-	32,498	873
	2021	44,721	-	36,028	685

(a) These amounts are classified as accounts receivable and other non-current assets. No loss allowance was recognised in relation to amounts owed by related parties during 2022 and 2021.

(b) These amounts are classified as accounts payable.

(c) Included in the above disclosure balances as at 31 December 2022 and 31 December 2021 and transactions for the year ended 31 December 2022 by the shareholders, GeoPost and Abu Dhabi Ports PJSC, which acquired issued shares of Aramex PJSC during October 2021 and January 2022, respectively, as detailed in Note 1.

33 Earnings per share

	31 December 2022	31 December 2021
Profit attributable to shareholders of the Parent (AED'000)		
Profit for the year from continuing operations	161,012	179,295
Profit for the year from discontinued operations	4,367	46,246
	165,379	225,541
Weighted average number of shares during the year (shares)	1,464 Million	1,464 Million
Basic and diluted earnings per share from continuing operations (AED)	0.110	0.122
Basic and diluted earnings per share from discontinued operations (AED)	0.003	0.032
Total basic and diluted earnings per share (AED)	0.113	0.154

34 Net gain 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 S.A.L. "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's 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.

During the year ended 31 December 2022, no gain is recognised in connection with Aramex Lebanon (2021: AED 8,950 thousand gain representing a collection from the insurance company amounting to AED 6,611 thousand and a reversal of provision of AED 2,339 thousand). A payment related to a customer claim of AED 411 thousand was released, thus the remaining provision related to Aramex Lebanon as at 31 December 2022 is nil (2021: AED 411 thousand).

During the current year, a gain is recognised in connection with Aramex Morocco Logistics SARL amounting to AED 1,291 thousand due to reversal of a provision and exchange differences of AED 192 thousand (2021: AED 24,717 thousand representing a collection from the insurance company amounting to AED 6,244 thousand and a reversal of provision of AED 18,473 thousand). The remaining provision related to Aramex Morocco Logistics SARL as at 31 December 2022 amounted to AED 17,871 thousand (2021: AED 19,354 thousand) related to multiple claims from different customers.

35 Segmental information

A business segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that are different from those of other business segments, and which are measured according to reports used by the Group's chief operating decision maker.

The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified collectively as the Group's executive directors, the chief operating decision maker examines the Group's performance both from a product and geographic perspective and has identified four reportable segments of its business:

- 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, and related royalty and franchise levies.
- 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 visa services, publication and distribution services.

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 2022 and 2021, respectively.

35 Segmental information (continued)

	Courier* AED'000	Freight forwarding AED'000	Logistics AED'000	Others AED'000	Total AED'000
Year ended 31 December 2022					
Revenue					
Total revenues from rendering of services**	4,940,594	2,037,387	446,231	126,303	7,550,515
Inter-segment	(1,190,513)	(353,011)	(937)	(80,049)	(1,624,510)
Total revenues after elimination	3,750,081	1,684,376	445,294	46,254	5,926,005
Gross profit	1,085,621	232,697	67,019	38,967	1,424,304
Earnings before interest and tax	144,408	71,866	7,228	21,828	245,330
Depreciation and amortisation	250,027	29,253	87,979	1,414	368,673
Year ended 31 December 2021					
Revenue					
Total revenues from rendering of services**	5,681,465	1,626,587	438,685	70,433	7,817,170
Inter-segment	(1,411,736)	(301,036)	(3,829)	(31,764)	(1,748,365)
Total revenues after elimination	4,269,729	1,325,551	434,856	38,669	6,068,805
Gross profit	1,202,048	153,875	42,477	32,467	1,430,867
Earnings before interest and tax	252,224	13,772	22,289	17,389	305,674
Depreciation and amortisation	250,082	29,403	88,000	2,180	369,665

* Courier segment includes international express, domestic express, and operations of Access Shipping LLC .

**Revenues are being recognised over time, when the services are rendered.

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.

There are no customers accounting for more than 10% of total revenue for the years ended 31 December 2022 and 2021.

Comparative figures were reclassified between operating segments to match the current presentation of the segment reporting which has changed during the current period to help the chief operating decision maker take the right decisions for business growth in the future. There is no impact on the consolidated statement of profit or loss as a result of this change.

Geographical segments

The business segments are managed on a worldwide basis, but operate in eight principal geographical areas, Gulf Cooperation Council, Middle East, North Africa and Turkey, East and South Africa, Europe, North America, South Asia, North Asia and Oceania. 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.

35 Segmental information (continued)

Geographical segments (continued)

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

	2022 AED'000	2021 AED'000
Revenues		
United Arab Emirates	1,075,424	887,667
Gulf Cooperation Council excluding United Arab Emirates	1,295,663	1,276,568
Middle East, North Africa and Turkey	776,563	750,269
East and South Africa	346,596	330,361
Europe	745,992	772,819
North America	377,183	285,056
North Asia	286,308	598,892
South Asia	490,065	534,176
Oceania	532,211	632,997
	5,926,005	6,068,805
Assets		
United Arab Emirates	1,904,703	1,899,450
Gulf Cooperation Council excluding United Arab Emirates	695,569	802,861
Middle East, North Africa and Turkey	589,930	642,291
East and South Africa	165,603	177,303
Europe	573,126	592,904
North America	1,188,132	160,316
North Asia	86,033	211,145
South Asia	237,771	251,179
Oceania	651,642	662,499
	6,092,509	5,399,948
Non - current assets*		
United Arab Emirates	706,716	765,315
Gulf Cooperation Council excluding United Arab Emirates	299,698	334,843
Middle East, North Africa and Turkey	251,885	279,749
East and South Africa	60,466	68,016
Europe	147,615	160,731
North America	205,763	41,351
North Asia	22,772	36,499
South Asia	63,906	62,367
Oceania	352,390	343,166
	2,111,211	2,092,037
Liabilities		
United Arab Emirates	795,360	833,340
Gulf Cooperation Council excluding United Arab Emirates	583,134	598,522
Middle East, North Africa and Turkey	249,135	276,322
East and South Africa	77,032	71,024
Europe	630,571	206,444
North America	662,226	70,480
North Asia	49,782	135,837
South Asia	86,816	78,856
Oceania	440,065	453,130
	3,574,121	2,723,955

* 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 7).

36 Commitments and contingencies

Guarantees

	2022 AED'000	2021 AED'000
Letters of guarantee	162,881	146,997

Guarantees are issued by banks on behalf of the Group.

Capital commitments

As at 31 December 2022, the Group has capital commitments of AED 18 million (2021: AED 34 million) towards purchase/construction of property and equipment.

Legal claims contingency

The Group is a defendant in a number of lawsuits amounting to AED 118,376 thousand representing legal actions and claims related to its ordinary course of business (2021: AED 41,942 thousand). Management and its legal advisors believe that the provision recorded of AED 39,217 thousand as of 31 December 2022 is sufficient to meet the obligations that may arise from the lawsuits (2021: AED 13,350 thousand) (Note 25).

The Group believes that the aggregate provisions recorded for these matters are adequate based upon currently available information as of the reporting date, which may be subject to ongoing revision of existing estimates. However, given the inherent uncertainties related to these claims, the Group could, in the future, incur judgments that could have a material adverse effect on its results of operations, liquidity, financial position or cash flows in any particular period.

37 Acquisition arrangement

Acquisition of Access Shipping LLC

On 1 June 2022, Aramex USA Ltd. (the "Acquirer"), a subsidiary of Aramex PJSC entered into an acquisition arrangement through a Sale and Purchase Agreement (SPA) to acquire 100% equity securities of "Access Shipping LLC" (the "Acquired Company"); a cross-border e-commerce platform, providing cost-effective package forwarding solutions to customers for an approximate consideration value of AED 941 million. The completion date for the acquisition was on 18 October 2022 (the "acquisition date"). The acquisition is in line with the Group's strategy to expand its cross-border operations and to capitalise on the attractive growth opportunities from a fast-growing global e-commerce space. The acquisition is expected to unlock several benefits for both entities, including operational synergies and improved efficiencies, shared technology platforms and the opportunity to service new markets.

Purchase consideration and identifiable net assets acquired

The acquisition has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at provisional fair value on the acquisition date. The provisional fair value of assets and liabilities have been determined by management.

The purchase consideration has been allocated to the acquired assets and liabilities using their provisional fair values at the acquisition date. The computation of the purchase consideration and its allocation to the net assets of the Acquired Company is based on their respective provisional fair values as of acquisition date.

The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed.

37 Acquisition arrangement (continued)

Purchase consideration and identifiable net assets acquired (continued)

The acquisition-date provisional fair value of the total purchase consideration and its components are as follows:

	2022 AED'000
Consideration value	940,824
Escrow on acquisition	18,364
Consideration adjustments	(3,459)
Total consideration transferred	955,729

The provisional fair value of identifiable assets and liabilities of the Acquired Company as at the acquisition date was as follows:

Assets acquired and liabilities assumed

	Fair values recognised on acquisition AED'000
Assets	
Property and equipment (Note 5)	25,139
Intangible assets (Brand)	37,963
Intangible assets (Customer Relationships - B2B)	11,730
Intangible assets (Customer Relationships - B2C)	48,705
Intangible assets (Software)	42,789
Accounts receivable, net	6,746
Other current assets	3,598
Cash and cash equivalents	12,696
	189,366
Liabilities	
Accounts payable	4,982
Other current liabilities	33,637
	38,619
Total net identifiable assets at fair value	150,747
Purchase consideration	(940,834)
Goodwill (Note 7)	790,077

Effective 18 October 2022, the Group took over all assets and assumed all liabilities of Access Shipping LLC. Accordingly, the acquired Company discontinued its operations effective 18 October 2022 ("the integration date"). No further operations are conducted since then. Any potential claims arising in future will be honored by the Parent company. Subsequent to the integration, Access Shipping LLC has started the process of transferring the legal title of various assets to the acquirer. The transfer process has been completed for all assets and liabilities. Whilst legal ownership of assets being transferred is with Access Shipping LLC, the beneficial ownership of these assets rests with the Group.

37 Acquisition arrangement (continued)

Impact of the acquisitions on the results of the Group

Acquired receivables

The provisional fair value of acquired trade receivables is AED 6,746 thousand. The gross contractual amount for trade receivables due is AED 10,644 thousand, with a loss allowance of AED 3,898 thousand recognised on acquisition.

Revenue and profit contribution

From the dates of acquisition, the business acquired during the year contributed revenue of AED 73,161 thousand and operating profit of AED 13,936 thousand. Intangible assets arising out of the business combinations were amortised by AED 970 thousand.

Had all the acquisitions been consolidated from 1 January 2022, they would have contributed revenue of AED 328,746 thousand and operating profit of AED 35,771 thousand.

Separate identifiable intangible assets for acquisitions

As at the acquisition date the provisional fair value of the separate identifiable intangible assets arising out of the acquisition amounted to AED 98,398 thousand. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the following valuation techniques:

- Relief from royalty valuation technique for the brand-based intangible asset.
- Multi-year excess earnings method (MEEM) valuation technique for contract-based intangible assets relating to customer relationships (B2B and B2C).
- Cost to create valuation technique for the software-based intangible asset.

The valuation of the intangibles assets as well as the discount rates applied were determined by management.

The significant unobservable valuation inputs used were discount rates of 11% and terminal growth rates of 3%.

The assumptions used in arriving at projected cash flows were based on past experience and adjusted for any expected changes.

Purchase consideration – cash outflow

	2022 AED'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	955,729
Less: cash	(12,696)
Net outflow of cash – investing activities	943,033

Acquisition-related costs

Acquisition costs for business acquisitions concluded during the year amounted to AED 27,863 thousand have been recognised as an expense in the consolidated statement of profit or loss.

Post-combination expenses

The Group has entered into a deferred proceeds agreement in the amount of AED 26,496 thousand with executive management of MyUS who held a minority share interest in the Acquired Company prior to the acquisition. The payout of the deferred proceeds is based on the number of shares held and key performance indicators met relating to achieving target revenues and earnings before interest, taxes, depreciation, and amortisation for 2023 and 2024 calendar years. The payout is contingent upon continuing employment and will be expensed in the post-combination period.

38 Financial instruments by category

	2022 AED'000	2021 AED'000
Financial assets at fair value through other comprehensive income		
Equity instruments	15,311	15,317
Debt instruments	2,356	2,321
	17,667	17,638
Financial assets at amortised cost		
Accounts receivable and other current assets (excluding prepayment, advances to suppliers and withholding tax)	1,285,307	1,355,603
Restricted cash, margins and bank deposits	9,488	57,641
Cash and bank balances	758,954	711,800
	2,053,749	2,125,044
Financial liabilities at amortised cost		
Bank overdrafts	131,353	153,113
Lease liabilities	938,723	935,315
Interest-bearing loans and borrowings	1,125,169	164,683
Accounts payable, income tax provision, provisions, and other non-current and current liabilities (excluding deferred revenue and deferred income)	1,140,817	1,236,631
	3,336,062	2,489,742

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 129,253 thousand (2021: AED 157,528 thousand) have been excluded from accounts receivable and other current assets. Non-financial liabilities amounting to AED 38,188 thousand (2021: AED 38,772 thousand) have been excluded from accounts payable, income tax provision, accrued expenses, provisions, and other non-current and current liabilities.

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.

39 Non-cash transactions

	2022 AED'000	2021 AED'000
Additions of right of use assets (Note 6)	325,687	353,537
Disposals of right of use assets (Note 6)	82,231	41,104
Provisions	-	20,812

Cash flow from operating, investing and financing activities of discontinued operations as of 31 December 2022 and 31 December 2021 are disclosed in Note 10.

40 Net debt reconciliation

	2022 AED'000	2021 AED'000
Cash and cash equivalents (Note 17)	627,601	558,687
Borrowings (excluding bank overdraft) (Note 21)	(1,125,169)	(164,683)
Lease liabilities (Note 6)	(938,723)	(935,315)
Net debt from financing activities	(1,436,291)	(541,311)

40 Net debt reconciliation (continued)

	Liabilities from financing activities		
	Borrowings	**Lease liabilities**	**Total**
	AED'000	AED'000	AED'000
Debt as at 1 January 2021	704,842	887,738	1,592,580
Financing cash flows	(540,159)	(264,890)	(805,049)
Additions of right of use assets (Note 6)	-	353,537	353,537
Disposals of right of use assets	-	(43,468)	(43,468)
Discontinued operations	-	2,398	2,398
Debt as at 31 December 2021	164,683	935,315	1,099,998
Financing cash flows	971,243	(241,039)	730,204
Additions of right of use assets (Note 6)	-	325,687	325,687
Disposals of right of use assets	-	(82,985)	(82,985)
Discontinued operations	-	1,745	1,745
Foreign exchange adjustments	(10,757)	-	(10,757)
Debt as at 31 December 2022	1,125,169	938,723	2,063,892

41 Comparative information

During the year, the Group performed an exercise to determine if the presentation of the consolidated financial statements is in accordance with IAS 1 "Presentation of financial statements". This exercise resulted in reclassification of "Provisions" separately from "other current liabilities" in the consolidated financial statements. The comparative figures have been reclassified in order to conform with the presentation for the current period. Such reclassification has been made by the Group to improve the quality of information presented and did not have any impact on the previously reported equity and profits.

Consolidated statement of financial position as at 31 December 2021

	As previously reported AED'000	Reclassification increase/ (decrease) AED'000	As reclassified AED'000
Provisions	-	34,433	34,433
Other current liabilities	850,431	(34,433)	815,998

Consolidated statement of cash flows for the year ended 31 December 2021

	As previously reported AED'000	Reclassification (decrease)/ increase AED'000	As reclassified AED'000
Provisions	-	(8,542)	(8,542)
Other current liabilities	(166,484)	8,542	(157,942)

Consolidated statement of financial position as at 1 January 2021

	As previously reported AED'000	Reclassification increase/ (decrease) AED'000	As reclassified AED'000
Provisions	-	63,787	63,787
Other current liabilities	1,038,975	(63,787)	975,188