

ARAMEX PJSC AND ITS SUBSIDIARIES

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

**FOR THE YEAR ENDED
31 DECEMBER 2021**

ARAMEX PJSC AND ITS SUBSIDIARIES

Report of the directors and consolidated financial statements for the year ended 31 December 2021

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Dear valued shareholders,

I am pleased to report that Aramex has produced a resilient financial performance in a year that presented our industry with a unique set of challenges and evolving opportunities.

Driven by an ambitious strategy and operating within a redesigned operating model, our efforts to grow market share and expand our Logistics and Freight-Forwarding business over the past 12 months have paid off, despite a challenging environment. In 2021, the Company has witnessed a very strong recovery in its Freight-Forwarding business and handled a record volume in its Express business which supported a 10% growth in revenues to a record AED 6.1 billion, our third year of uninterrupted growth. However, Covid-19 induced costs and one-off events weighed on our net profit for the year, which went down 15% year-on-year to AED 226 million. Our balance sheet and liquidity levels are robust, leverage levels are healthy, and we are well funded for our growth plans. This is why the Board is recommending a dividend payout of AED 0.13 per share for FY 2021.

The gradual re-opening of the global economy in the second half of the year underpinned by governments' intensive vaccination campaigns and financial and other support measures, supported global economic growth and generally improved business and consumer confidence and activity levels. However, in 2021, the evolving pandemic continued to disrupt the global supply chain industry. Sea and air freight bottlenecks and capacity constraints were exacerbated by the increase in activity and demand from various industries, notably oil & gas, retail & fashion, healthcare & pharmaceuticals, and e-commerce. Thanks to a team of experts, the scale of our operations, the investments over the last several years to expand capacity in strategic hubs and grow our network, and our close relationship with key partners, we were able to navigate the fluctuating situation, albeit at higher costs.

While the operating environment was challenging, the opportunities were ripe in e-commerce. Covid-19 changed the way consumers buy goods forever and raised their expectations on last mile delivery quality of service and time to deliver. Consequently, e-commerce players were faced with spikes in demand while other retail outlets had to expand into online sales channel to cater to the evolving needs of their customers. Ultimately the demand for logistics, warehousing, supply chain management and last mile solutions skyrocketed, and will continue to be fueled by a booming e-commerce market in 2022 and beyond. Given that we operate across the value chain, in 2021 we demonstrated why we are market leaders in international and domestic express. We continued to provide unmatched services, products, and expertise, and we intend to further integrate our offering to offer bespoke end-to-end solutions to our customers, to help facilitate their operations.

We recognize the crucial role we play in society. Over the course of the year, we have been investing in integrating greener practices across our value chain to mitigate the impact we leave on our planet. Of note, this year, we signed a commitment with the Science Based Target initiative (SBTi) to significantly reduce our greenhouse gas emissions by 2030, and our efforts are aligned with the UAE's ambitions to become Net Zero by

2050. We continue to set the bar for companies on the sustainability front. This year, we received an ESG Risk Rating of 11.7 from Sustainalytics which indicates a low level of risk of experiencing material financial impacts from ESG factors. Our rating places us in the top spot in the global ranking of 363 transportation companies rated by Sustainalytics worldwide. As we move forward, we will continue to drive our sustainability agenda and ensure prudent management of all material ESG risks and opportunities across the business.

2021 was also a year of change in management. Over the course of the year, we welcomed a new CEO, Othman Al Jeda, a longtime employee of the Company, and appointed COO's for each of the Express business and the Logistics and Freight-Forwarding business, Alaa Saoudi and Mohammad Alkhas, respectively. We also recently welcomed a new CFO, Nicolas Sibuet. I believe we have a strong, capable and seasoned senior management team that have the necessary skills and acumen to execute on the Company's growth strategy.

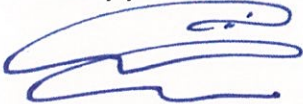
In 2021, we also welcomed a new strategic shareholder, GeoPost S.A., a major international player in the industry. Their investment in Aramex is testament to our globally recognized brand, market leading position, and compelling growth potential. We look forward to unlocking synergies with GeoPost and our other strategic shareholders including Abu Dhabi Ports to support our growth momentum and deliver long term value to our shareholders.

2022 will be an important year for Aramex, as we celebrate our 40th year since founding. We look forward to further cementing our market leadership position, expanding our global footprint and our expertise into servicing new markets and industry verticals and unlocking revenue, operation, and cost synergies with our strategic partners.

More specifically, we see significant opportunity in the Logistics and Freight-Forwarding business and will focus on catering to industries in which we have profound experience, including oil & gas, fashion & retail and healthcare, and open new trade lanes into the GCC and MENAT markets while also investing in expanding into other industries. We will also continue to defend our market leading position in the Express business in the markets where we operate while tapping into our strategic partners', GeoPost, strong presence in Europe to expand our geographic reach.

On a final note, I would also like take this opportunity to express my sincerest gratitude to our shareholders, employees, customers, partners, and all our stakeholders for their unwavering trust and support in Aramex. Your support, commitment and trust in our business will take Aramex towards another 40 years of success.

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 referred to as the "Group") as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 | <ul style="list-style-type: none">• Revenue recognition;• Impairment of goodwill; and• Disposal of a subsidiary |
|-------------------|---|

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)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p><i>Revenue recognition</i></p> <p>The Group focuses on revenues as a key performance measure and as a driver for growth and expansion. For the year ended 31 December 2021, the Group had revenue of AED 6.1 billion (2020: AED 5.5 billion) - Note 26.</p> <p>Due to the materiality of the amounts involved, diversity of the Group's geographical footprint, and susceptibility of such revenues to overstatement or understatement and fraud risk, we assess revenue recognition as a key audit matter.</p> | <p>Our audit procedures performed in relation to revenue recognition included:</p> <ul style="list-style-type: none"> • 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 IFRS. |
| <p><i>Impairment of goodwill</i></p> <p>As at 31 December 2021, the Group had goodwill of AED 1,003 million (2020: AED 1,136 million) - Note 7. As required by IAS 36 – Impairment of Assets, the Group is required to annually test goodwill for impairment.</p> <p>Management's assessment process is complex and highly judgemental, and is based on assumptions, in particular the discount rate and growth rate estimates which are affected by expected future market or economic conditions. Any changes in assumptions could result in impairment of the goodwill. Accordingly, we consider goodwill impairment to be a key audit matter.</p> | <p>Our audit procedures performed in relation to the impairment assessment of goodwill included:</p> <ul style="list-style-type: none"> • 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; • with the involvement of our internal valuation expert, we assessed the discount rate assumptions and the mathematical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36; and • 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)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Disposal of a subsidiary</i></p> <p>On 3 February 2021, Aramex PJSC 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 for a total consideration of AED 335 million (the "Transaction").</p> <p>The aforementioned disposal resulted in a gain of AED 31,608 thousand for the year ended 31 December 2021.</p> <p>We have identified the disposal of Information Fort LLC as a key audit matter due to the complexity and financial significance of the Transaction as well as its impact on the composition of the Group's businesses and activities.</p> | <p>Our audit procedures performed in relation to disposal of a subsidiary included:</p> <ul style="list-style-type: none"> • assessing the compliance of such policies with the applicable International Financial Reporting Standards; • participating in various meetings and discussions with the Group's management to understand the details of the Transaction; • obtaining and reading the related share purchase agreement and related announcement made by the Group in order to assess the accounting implications of the Transaction on the consolidated financial statements of the Group; • Tracing the consideration received for the disposal to bank statements; • Testing the accuracy of the resultant gain and checking its compliance with IFRS 3 requirements; and • assessing the completeness and appropriateness of disclosures within the consolidated financial statements in accordance with 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 the date of this auditor's report.

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

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

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Responsibilities of management and those charged with governance for the 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 Law No. (2) of 2015 as amended, and for such internal control as the 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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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)

- Conclude on the appropriateness of 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)

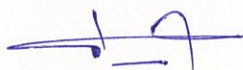
Report on the audit of the consolidated financial statements (continued)

Report on other legal and regulatory requirements

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

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 as amended;
- (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 2021;
- (vi) Note 31 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 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 as amended or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and
- (viii) as disclosed in Note 28 to the consolidated financial statements, the Group has made social contributions during the year ended 31 December 2021.

PricewaterhouseCoopers
14 March 2022



Rami Sarhan
Registered Auditor Number 1152
Dubai, United Arab Emirates

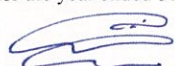



ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021


| | | As at 31 December | |
|---|-------|-------------------|------------------|
| | Note | 2021 AED'000 | 2020 AED'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 5 | 941,430 | 956,755 |
| Right of use assets | 6 | 894,266 | 890,129 |
| Goodwill | 7 | 1,002,568 | 1,135,511 |
| Other intangible assets | 8 | 201,255 | 216,405 |
| Investments in joint ventures and associates | 11,12 | 37,448 | 39,800 |
| Financial assets at fair value through other comprehensive income | 13 | 17,638 | 25,451 |
| Deferred tax assets | 14 | 8,006 | 7,786 |
| Other non-current assets | | 4,115 | 4,800 |
| | | <u>3,106,726</u> | <u>3,276,640</u> |
| Current assets | | | |
| Accounts receivable, net | 15 | 1,219,422 | 1,093,927 |
| Other current assets | 16 | 293,709 | 271,874 |
| Restricted cash, margins and fixed deposits* | 17 | 57,641 | 279,279 |
| Cash and cash equivalents* | 17 | 711,800 | 975,487 |
| | | <u>2,282,572</u> | <u>2,620,567</u> |
| Assets held for sale | 10 | 10,650 | 217,963 |
| TOTAL ASSETS | | <u>5,399,948</u> | <u>6,115,170</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 18 | 1,464,100 | 1,464,100 |
| Statutory reserve | 19 | 440,802 | 408,929 |
| Foreign currency translation reserve | 19 | (398,529) | (344,425) |
| Reserve arising from acquisition of non-controlling interests | 19 | (329,759) | (335,186) |
| Reserve arising from other comprehensive income items | 19 | (12,008) | (7,064) |
| Retained earnings | | 1,500,570 | 1,504,306 |
| | | <u>2,665,176</u> | <u>2,690,660</u> |
| Equity attributable to equity holders of the Parent | | <u>2,665,176</u> | <u>2,690,660</u> |
| Non-controlling interests | | 10,817 | 16,301 |
| Total equity | | <u>2,675,993</u> | <u>2,706,961</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 21 | 137,259 | 162,000 |
| Lease liabilities | 6 | 754,933 | 701,190 |
| Employees' end of service benefits | 22 | 148,822 | 149,187 |
| Deferred tax liabilities | 14 | 42,114 | 58,359 |
| Deferred income | 25 | 18,305 | - |
| | | <u>1,101,433</u> | <u>1,070,736</u> |
| Current liabilities | | | |
| Accounts payable | 23 | 344,120 | 328,879 |
| Lease liabilities | 6 | 180,382 | 186,548 |
| Bank overdrafts | 24 | 153,113 | 68,059 |
| Interest-bearing loans and borrowings | 21 | 27,424 | 542,841 |
| Income tax provision | 14 | 62,547 | 78,165 |
| Other current liabilities | 25 | 850,431 | 1,038,975 |
| | | <u>1,618,017</u> | <u>2,243,467</u> |
| Liabilities held for sale | 10 | 4,505 | 94,006 |
| Total liabilities | | <u>2,723,955</u> | <u>3,408,209</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>5,399,948</u> | <u>6,115,170</u> |

* Refer to note 38 for changes to comparative

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 2021.


 Mohamed Juma Alshamsi
 (Chairman)


 Othman Aljeda
 (Chief Executive Officer)


 Nicolas Sibuet
 (Chief Financial Officer)

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

| | | For the year ended 31 December | |
|---|-------|--------------------------------|------------------|
| | | 2021 | 2020 |
| | Note | AED'000 | AED'000 |
| Continuing operations | | | |
| Rendering of services | 26 | 6,068,805 | 5,510,299 |
| Cost of services | 27 | (4,637,938) | (3,976,508) |
| Gross profit | | 1,430,867 | 1,533,791 |
| Selling and marketing expenses | | (272,508) | (220,668) |
| Net impairment loss on accounts receivable | 15 | (15,635) | (25,319) |
| Net impairment loss on bank balances | 17 | (912) | (21,301) |
| Administrative expenses | 28 | (887,654) | (791,926) |
| Net gain/(loss) on property and customer goods | 33 | 33,667 | (89,611) |
| Other income, net | 29 | 17,849 | 14,582 |
| Operating profit | | 305,674 | 399,548 |
| Finance income | | 6,406 | 10,446 |
| Finance expense | | (60,088) | (65,639) |
| Share of results of joint ventures and associates | 11,12 | 10,232 | 10,998 |
| Profit before tax from continuing operations | | 262,224 | 355,353 |
| Income tax expense | 14 | (81,472) | (108,951) |
| Profit for the year from continuing operations | | 180,752 | 246,402 |
| Discontinued operations | | | |
| Profit after tax for the year from discontinued operations | 10 | 15,741 | 23,293 |
| Gain on sale of a subsidiary | 10 | 31,608 | - |
| Profit for the year | | 228,101 | 269,695 |
| Attributable to: | | | |
| <i>Equity holders of the Parent</i> | | | |
| Profit for the year from continuing operations | | 179,295 | 244,843 |
| Profit for the year from discontinued operations | | 46,246 | 21,809 |
| | | 225,541 | 266,652 |
| <i>Non-controlling interests</i> | | | |
| Profit for the year from continuing operations | | 1,457 | 1,559 |
| Profit for the year from discontinued operations | | 1,103 | 1,484 |
| | | 2,560 | 3,043 |
| | | 228,101 | 269,695 |
| Earnings per share attributable to the equity holders of the Parent: | | | |
| Basic and diluted earnings per share from continuing operations/AED | 32 | 0.122 | 0.167 |
| Basic and diluted earnings per share from discontinued operations/AED | 32 | 0.032 | 0.015 |

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | For the year ended 31 December | |
|--|------|--------------------------------|-----------------|
| | | 2021 AED'000 | 2020 AED'000 |
| Profit for the year | | <u>228,101</u> | <u>269,695</u> |
| Other comprehensive loss, net of tax: | | | |
| <i>Other comprehensive (loss)/income items to be reclassified to the consolidated statement of income in subsequent periods:</i> | | | |
| Exchange differences on translation of foreign operations | | (73,475) | 12,106 |
| Impact of hyperinflation | | <u>4,363</u> | <u>(22,394)</u> |
| | | <u>(69,112)</u> | <u>(10,288)</u> |
| <i>Other comprehensive (loss)/income items not to be reclassified to the consolidated statement of income in subsequent periods:</i> | | | |
| Loss on equity instruments at fair value through other comprehensive income | | (7,637) | (1,284) |
| Gain on debt instruments at fair value through other comprehensive income | 13 | 572 | - |
| Remeasurements of post-employment benefits obligations through other comprehensive income | 22 | <u>12</u> | <u>(1,315)</u> |
| | | <u>(7,053)</u> | <u>(2,599)</u> |
| Other comprehensive loss for the year, net of tax | | <u>(76,165)</u> | <u>(12,887)</u> |
| Total comprehensive income for the year | | <u>151,936</u> | <u>256,808</u> |
| Attributable to: | | | |
| Equity holders of the Parent | | 151,543 | 255,037 |
| Non-controlling interests | | <u>393</u> | <u>1,771</u> |
| | | <u>151,936</u> | <u>256,808</u> |
| Total comprehensive income attributable to equity holders of the Parent arises from: | | | |
| Continuing operations | | 109,917 | 239,044 |
| Discontinued operations | | <u>41,626</u> | <u>15,993</u> |
| | | <u>151,543</u> | <u>255,037</u> |

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Attributable to equity holders of the Parent | | | | | | | | | |
|--|--|----------|-----------|---|---|---------------------------|---|-----------------------------------|----------------|--|
| | | | | 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 | - | (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 | |

The notes on pages 17 to 74 form an integral part of these consolidated financial statements.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

| | 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 2020 | | | | | | | |
| At 31 December 2019 | 1,464,100 | 367,095 | (398,720) | (335,186) | 272 | 1,519,928 | 2,617,489 |
| Impact of hyperinflation (Note 4) | - | - | 63,311 | - | - | - | 63,311 |
| At 1 January 2020 (adjusted) | 1,464,100 | 367,095 | (335,409) | (335,186) | 272 | 1,519,928 | 2,680,800 |
| Profit for the year | - | - | - | - | - | 266,652 | 266,652 |
| Other comprehensive loss | - | - | (9,016) | - | (2,599) | - | (11,615) |
| Total comprehensive (loss)/income for the year | - | - | (9,016) | - | (2,599) | 266,652 | 255,037 |
| Directors' fees paid (Note 31) | - | - | - | - | - | (3,600) | (3,600) |
| Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings | - | - | - | - | (4,737) | 4,737 | - |
| Non-controlling interests | - | - | - | - | - | - | - |
| Dividends to shareholders (Note 20) | - | - | - | - | - | (241,577) | (241,577) |
| Transfer to statutory reserve (Note 19) | - | 41,834 | - | - | - | (41,834) | - |
| 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 |

The notes on pages 17 to 74 form an integral part of these consolidated financial statements.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

| | | For the year ended 31 December | |
|---|-------|--------------------------------|------------------|
| | Note | 2021 AED'000 | 2020 AED'000 |
| <u>OPERATING ACTIVITIES</u> | | | |
| Profit before tax from continuing operations | | 262,224 | 355,353 |
| Profit before tax from discontinued operations | 10 | 49,544 | 26,569 |
| Profit before tax | | 311,768 | 381,922 |
| Adjustment for: | | | |
| Depreciation of property and equipment | | 111,307 | 119,365 |
| Depreciation of right of use assets | | 254,551 | 240,896 |
| Amortisation of other intangible assets | 8 | 5,064 | 8,860 |
| Provision for employees' end of service benefits | 22 | 33,813 | 38,377 |
| Net impairment loss on financial assets | | 15,760 | 50,071 |
| Finance costs, net | | 6,906 | 10,196 |
| Finance costs – lease liability | | 47,106 | 48,146 |
| Share of results of joint ventures and associates | 11,12 | (10,232) | (10,998) |
| Impairment of goodwill | 7 | 2,975 | - |
| (Gain)/loss on sale of property and equipment | | (413) | 417 |
| Gain on sale of a subsidiary | 10 | (31,608) | - |
| Gain on reversal of provision for property and customer goods | 33 | (20,812) | - |
| Loss on property damages | 5 | - | 1,102 |
| | | 726,185 | 888,354 |
| Working capital adjustments: | | | |
| Accounts receivable | | (174,292) | 44,359 |
| Accounts payable | | 16,676 | 67,877 |
| Other current assets | | 25,240 | (13,820) |
| Other current liabilities | | (166,484) | 267,580 |
| Deferred income | 25 | 18,305 | - |
| Net cash flows generated from operating activities before employees' end of service benefits and income tax paid | | 445,630 | 1,254,350 |
| Employees' end of service benefits paid | 22 | (31,732) | (22,346) |
| Income tax paid | 14 | (96,549) | (125,260) |
| Net cash flows generated from operating activities | | 317,349 | 1,106,744 |
| <u>INVESTING ACTIVITIES</u> | | | |
| Purchase of property and equipment | | (128,597) | (138,050) |
| Proceeds from disposal of property and equipment | | 6,277 | 3,560 |
| Financial assets at fair value through other comprehensive income | 13 | - | 5,349 |
| Interest received | | 6,406 | 10,771 |
| Net cash disposed from discontinued operations | | (421) | (42,115) |
| Proceeds from sale of a subsidiary | | 289,566 | - |
| Dividends from joint ventures | | 13,209 | - |
| Acquisition of a group of assets | 7 | (4,895) | - |
| Other non-current assets | | 117 | 1,298 |
| Restricted cash* | 17 | (12,132) | (48,221) |
| Margin deposits | | 1,901 | (1,316) |
| Fixed deposits | | 195,040 | 9,697 |
| Loan granted to joint venture | | 567 | - |
| Net cash flows generated from/(used in) investing activities* | | 367,038 | (199,027) |

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

| | | For the year ended 31 December | |
|--|------|--------------------------------|------------------|
| | | 2021 | 2020 |
| | Note | AED'000 | AED'000 |
| <u>FINANCING ACTIVITIES</u> | | | |
| Finance cost paid | | (60,218) | (82,399) |
| Proceeds from loans and borrowings | | 4,044 | 5,223 |
| Repayment of loans and borrowings | | (544,203) | (35,347) |
| Principal elements of lease payments | | (267,254) | (204,020) |
| Dividends paid to non-controlling interests | | (2,654) | (523) |
| Directors' fees paid | | - | (3,600) |
| Dividends paid to shareholders | | (190,333) | (241,577) |
| Net cash flows used in financing activities | | (1,060,618) | (562,243) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS* | | | |
| | | (376,231) | 345,474 |
| Net foreign exchange difference | | 27,490 | (26,160) |
| Cash and cash equivalents at 1 January | | 907,428 | 588,114 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER* | 17 | 558,687 | 907,428 |

* Refer to note 38 for changes to the comparative.

Non-cash transaction:

Non-cash transactions are disclosed in Note 39.

1 General information

Aramex PJSC (the “Parent Company” or “Company”) was established as a Public Joint Stock Company on 15 February 2005 and is registered in the Emirate of Dubai, United Arab Emirates under the Federal Decree Law No. 2 of 2015 as amended. The consolidated financial statements of the Company as at 31 December 2021 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 Rammoool, Dubai, United Arab Emirates.

The Group is required, for the year ended 31 December 2021, to be in compliance with the provisions of the UAE Federal Law No. 2 of 2015, as amended.

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 Law No. 2 of 2015. The Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No. 32 of 2021.

As at 31 December 2021, Alpha Oryx Limited, a subsidiary of Abu Dhabi Development Holding Company (“ADQ”) owned 22.5% of Aramex PJSC’s issued share capital.

During October 2021, GeoPost, the express parcel arm of French Groupe La Poste, acquired 24.93% of Aramex PJSC’s issued share capital.

The consolidated financial statements was authorised for issue by the Board of Directors on 14 March 2022.

2 Significant accounting policies

2.1 Basis of preparation

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

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 2020, 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 fair value less cost to sell. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The Lebanese economy is considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the group’s subsidiary, Aramex Lebanon S.A.L has 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 2021, have been adopted in these consolidated financial statements. The application of these revised IFRS, except where stated, have not had any material impact on the amounts reported for the current and prior years.

(a) ***Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*** - The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

As at 31 December 2021 applicable interest rate benchmarks in the Group's agreements have not been replaced (Note 3.1 (a) (iii)). As a result, the adoption of the Phase 2 amendments had no impact on the consolidated financial statements for the year ended 31 December 2021. Management will continue to monitor relevant developments and will evaluate the impact of the Phase 2 amendments on the consolidated financial statements as IBOR reform progresses.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2 Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

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

- (a) IFRS 17, 'Insurance contracts' (effective 1 January 2023);
- (b) Amendment to IFRS 3 (effective 1 January 2022);
- (c) Amendment to IAS 37 (effective 1 January 2022);
- (d) Amendment to IAS 16 (effective 1 January 2022); and
- (e) Amendments to IAS 1 (Deferred until accounting periods starting not earlier than 1 January 2024); and
- (f) and IAS 8 (effective 1 January 2022); and
- (g) Annual improvements to IFRS 9 and IFRS 16 (1 January 2022)

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.

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.

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.

Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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

2.3 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at 31 December 2021 and 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group:

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

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

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

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

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

2 Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

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

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

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

Changes in the Group's ownership interest in existing subsidiaries

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

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

2.4 Property and equipment

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

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 is based on restated amounts, which have been adjusted for the effects of hyperinflation.

2 Significant accounting policies (continued)

2.4 Property and equipment (continued)

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

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

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

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

2.5 Business combinations and goodwill

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

2.5 Business combinations and goodwill (continued)

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

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

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

2.6 Other intangible assets

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

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

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

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

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

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

2.7 Investments in associates and joint arrangements

(i) Associates

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

2 Significant accounting policies (continued)

2.7 Investments in associates and joint arrangements (continued)

(ii) Joint arrangements

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

Joint ventures

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

(iii) Equity method

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

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

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

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

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

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

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

2.8 Prepaid agency fees

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

2 Significant accounting policies (continued)

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

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

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

2.10 Cash and bank balances

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

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.

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 Significant accounting policies (continued)

2.11 Accounts receivable

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

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

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

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

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

2.12 Financial assets

Financial assets are classified as follows:

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

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

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

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

(a) Classification

(i) Investments at fair value through other comprehensive income

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

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

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

2 Significant accounting policies (continued)

2.12 Financial assets (continued)

(a) Classification (continued)

(ii) Financial assets at amortised cost

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

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

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

(b) Initial recognition and subsequent measurement

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

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

(i) Debt instruments

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

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

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

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

(ii) Equity instruments

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

2 Significant accounting policies (continued)

2.12 Financial assets (continued)

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

(ii) *Equity instruments (continued)*

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

(c) *Derecognition of financial assets*

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

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

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

2.13 Impairment and uncollectibility of financial assets

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

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

2.14 Loans, borrowings and other financial liabilities

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

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

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

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

2 Significant accounting policies (continued)

2.15 Accounts payable and accruals

These amounts represent unsettled liabilities for goods and services provided to the Group prior to the end of financial year. These amounts are unsecured and are usually paid within 60 days of the date of recognition. Trade and other 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.

2.16 Provisions

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

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

2.17 Employees' end of service benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

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

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

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

Cash-settled transactions

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

2 Significant accounting policies (continued)

2.18 Financial liabilities

Initial recognition and measurement

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

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

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

(a) Subsequent measurement

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

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

(b) Derecognition

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

2.19 Social security

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

2.20 Revenue recognition

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

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

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

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

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

2 Significant accounting policies (continued)

2.20 Revenue recognition (continued)

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

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

Express and shop 'n' ship services revenue

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

Freight forwarding revenue

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

Revenue from logistics and document storage services

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

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

2.21 Interest income

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

2.22 Borrowing costs

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

2 Significant accounting policies (continued)

2.23 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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.

2 Significant accounting policies (continued)

2.23 Taxes (continued)

Deferred tax (continued)

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

Sales tax

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

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

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

2.24 Leases

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

2.24 Leases (continued)

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

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

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

2.25 Cash dividend

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

2.26 Earnings per share

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

2 Significant accounting policies (continued)

2.27 Discontinued operations

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

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

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

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

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

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

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

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

2.28 Offsetting financial instruments

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

2.29 Fair value of financial instruments

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

2.30 Amortised cost of financial instruments

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

2 Significant accounting policies (continued)

2.31 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

2.32 Foreign currencies

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

Transactions and balances

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

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

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

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

Group companies

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

2 Significant accounting policies (continued)

2.32 Foreign currencies (continued)

Group companies (continued)

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 2021.

2.33 Hyperinflation

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

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

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

Gains or losses on the net monetary position are recognised in the consolidated statement of income.

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

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

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

The Lebanese economy has been classified as hyperinflationary for the years ended 31 December 2021 and 31 December 2020. Accordingly, the results, cash flows and financial position of the Group’s subsidiary; Aramex Lebanon S.A.L has been expressed in terms of the measuring unit current at the reporting date. Impact of applying IAS 29 for the years ended 31 December 2021 and 31 December 2020 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 approved policies.

(a) *Market risk*

(i) *Foreign currency risk*

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

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

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

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

| | Changes in currency rate to AED % | Effect on profit before tax AED'000 |
|-------------|--|--|
| 2021 | | |
| EUR | +10 | (342) |
| INR | +10 | 113 |
| GBP | +10 | 1,550 |
| EGP | +10 | (983) |
| TRY | +10 | (203) |
| ZAR | +10 | 275 |
| 2020 | | |
| EUR | +10 | (753) |
| INR | +10 | 130 |
| GBP | +10 | 3,133 |
| EGP | +10 | (682) |
| TRY | +10 | (849) |
| ZAR | +10 | 84 |

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

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(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).

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

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

| | 2021 AED'000 | 2020 AED'000 |
|---------------------------|-----------------|-----------------|
| Variable rate instruments | | |
| +100 bps | (3,178) | (7,729) |
| - 100 bps | 3,178 | 7,729 |

IBOR transition (Interest rate benchmark reforms)

The Group is primarily exposed to US LIBOR which is subject to the interest rate benchmark reform, Bank Bill Swap Bid Rate (BBSY); main interest rate benchmark in Australia and Bank Bill Benchmark Rate (BKBM); main interest rate benchmark in New Zealand which both still exist as at the reporting date.

The Group is actively preparing for the LIBOR transition to the new Risk Free Rate (RFR) rates, which includes representatives from Finance, Legal, Treasury and other relevant business units, where effective 31 December 2021, LIBOR will no longer be used to price new loans. Since the 3-months US LIBOR cessation date is June 2023, and the LIBOR applicable interest rate benchmarks in the Group agreements have not been replaced, the resulting change in the LIBOR reform as at 31 December 2021 did not have an impact on the consolidated financial statements.

Management will continue to monitor the relevant developments and will evaluate the impact on the IBOR amendments on the consolidated financial statements.

(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.

Risk management

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

The Group trades only with recognised, creditworthy third parties in addition to establishing credit limits for customers' balances. Receivable balances and credit limits are monitored on an ongoing basis with the result of discontinuing the service for customers exceeding certain limits for a certain period of time. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 63% 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 PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

At 31 December 2021 the Group had 5 customers (2020: 5 customers) that accounted for approximately 28% (2020: 33%) of all the receivables outstanding.

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

Security

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

Impairment of financial assets

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

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

Accounts receivable

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

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

The expected loss rates are based on the roll rates of receivables over a period of 12 quarters before 31 December 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current factors affecting the ability of the customers to settle the receivables.

On that basis, the impairment loss as at 31 December 2021 and 31 December 2020 was determined as follows for accounts receivable:

| | Between current – 90 days past due | Between 90 – 180 days past due | Between 180 – 270 days past due | Between 270 – 365 days past due | More than 365 days past due | Total |
|---|---|---|--|--|-----------------------------------|-----------|
| 31 December 2021 | | | | | | |
| 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 |

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Accounts receivable (continued)

| | Between current – 90 days past due | Between 90 – 180 days past due | Between 180 – 270 days past due | Between 270 – 365 days past due | More than 365 days past due | Total |
|---|---|---|--|--|-----------------------------------|------------------|
| 31 December 2020 | | | | | | |
| Expected loss rate | 2% | 13% | 39% | 56% | 100% | 7% |
| Gross carrying amount – Accounts receivable in AED'000 | 1,040,453 | 66,314 | 16,421 | 12,007 | 46,530 | 1,181,725 |
| Expected credit loss in AED'000 | 19,229 | 8,897 | 6,395 | 6,747 | 46,530 | 87,798 |
| Carrying amount in AED'000 | <u>1,021,224</u> | <u>57,417</u> | <u>10,026</u> | <u>5,260</u> | <u>-</u> | <u>1,093,927</u> |

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

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

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

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

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

Debt investments carried at FVOCI

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

Cash and bank balances and restricted cash, margins and fixed deposits

During the year ended 31 December 2021 the impairment loss on cash bank balances amounted to AED 912 thousand (2020: AED 21,301 thousand) due to the economic in Lebanon as detailed in Note 17.

As a result of translation of the operations in Aramex Lebanon, an amount of AED 20,428 thousand related to restricted cash held at banks in Lebanon and the respective impairment loss recorded during 2020 and 2021 was reversed in the consolidated statement of comprehensive income during the year 2021 as detailed in Note 17.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

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

| 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, and other current liabilities (excluding deferred revenue) | <u>1,236,631</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,236,631</u> | <u>1,236,631</u> |
| | <u>1,476,526</u> | <u>176,201</u> | <u>202,425</u> | <u>456,026</u> | <u>573,517</u> | <u>2,884,695</u> | <u>2,489,742</u> |
| 31 December 2020 | | | | | | | |
| Interest-bearing loans and borrowings | 533,814 | 26,161 | 23,244 | 46,895 | 103,787 | 733,901 | 704,841 |
| Lease liabilities | 85,056 | 146,522 | 156,826 | 277,112 | 602,152 | 1,267,668 | 887,738 |
| Bank overdrafts | 68,341 | - | - | - | - | 68,341 | 68,059 |
| Accounts payable, income tax provision, and other current liabilities (excluding deferred revenue) | <u>1,420,449</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,420,449</u> | <u>1,420,449</u> |
| | <u>2,107,660</u> | <u>172,683</u> | <u>180,070</u> | <u>324,007</u> | <u>705,939</u> | <u>3,490,359</u> | <u>3,081,087</u> |

3.2 Capital risk management

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

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 Financial risk management (continued)

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 2021 and 2020, 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 2021, items measured at fair value have been measured at level 3 valuation techniques for an amount of AED 17,638 thousand (2020: AED 25,451 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 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 2021, the Group utilized the same approach as the prior year to obtain the recent transaction price as a fair value measurement of the investment.

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

4 Key estimates and judgments

Provision for expected credit losses of accounts receivable

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

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

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

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

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

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

4 Key estimates and judgments (continued)

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 income:

| | Changes in useful lives % | Effect on profit before tax AED '000 |
|------------------------|---------------------------------|--|
| Leasehold improvements | +10 | (1,332) |
| Buildings | +10 | (1,590) |
| Furniture and fixtures | +10 | (439) |
| Warehousing racks | +10 | (480) |
| Office equipment | +10 | (2,290) |
| Computers | +10 | (4,059) |
| Vehicles | +10 | (889) |

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 subsidiary Aramex Lebanon S.A.L has been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of Aramex Lebanon S.A.L has 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 34,863 thousand were recognised directly in equity during 2021 (2020: gains of AED 63,311 thousand were recognised directly in equity during 2020). The uplift of the assets on initial adoption resulted in the net asset value of Aramex Lebanon S.A.L exceeding its estimated recoverable amount.

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

| | Base year | General price index | Inflation rate (%) |
|------------------|-----------|---------------------|--------------------|
| 31 December 2021 | 2021 | 2.04 | 753 |
| 31 December 2020 | 2020 | 1.54 | 173 |

4 Key estimates and judgments (continued)

Aramex Lebanon S.A.L (continued)

The cumulative inflation rate over three years as at 31 December 2021 is 753% (2020: 173%). The average adjustment factor used for 2021 was 2.04 (2020: 1.54).

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.

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 2021, 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.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

| 5 Property and equipment | | | | | | | | | | |
|--------------------------|------------------|---------------------------------------|-----------------------|---------------------------------------|----------------------------------|---------------------------------|-----------------------|----------------------|---|-------------------|
| 2021 | Land AED '000 | Leasehold improvements AED '000 | Buildings AED '000 | Furniture and fixtures AED '000 | Warehousing racks AED '000 | Office equipment AED '000 | Computers AED '000 | Vehicles AED '000 | Capital work in progress AED '000 | Total AED '000 |
| Cost: | | | | | | | | | | |
| At 1 January 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 |

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

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

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

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

5 Property and equipment (continued)

Depreciation charge for the year is allocated as follows:

| | 2021 AED'000 | 2020 AED'000 |
|----------------------------------|-----------------|-----------------|
| Administrative expense (Note 28) | 74,108 | 68,313 |
| Cost of services (Note 27) | 36,683 | 38,664 |
| Discontinued operations | - | 12,388 |
| | <u>110,791</u> | <u>119,365</u> |

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 2020 | 209,355 | 679,862 | 6,308 | 176,773 | 1,072,298 |
| Impact of hyperinflation | - | 42,438 | - | 7,400 | 49,838 |
| At 1 January 2020 (adjusted) | <u>209,355</u> | <u>722,300</u> | <u>6,308</u> | <u>184,173</u> | <u>1,122,136</u> |
| Additions | 2,347 | 234,053 | 1,122 | 95,009 | 332,531 |
| Reclassification | 2,592 | (1,917) | (192) | (483) | - |
| Disposals | (1,473) | (106,686) | (419) | (47,742) | (156,320) |
| Discontinued operations (Note 10) | (18,034) | (40,951) | (170) | (4,800) | (63,955) |
| Exchange differences | 2 | 14,414 | 393 | 838 | 15,647 |
| Impact of hyperinflation | - | (504) | - | (871) | (1,375) |
| At 1 January 2021 | <u>194,789</u> | <u>820,709</u> | <u>7,042</u> | <u>226,124</u> | <u>1,248,664</u> |
| 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 | <u>174,762</u> | <u>848,455</u> | <u>6,840</u> | <u>235,574</u> | <u>1,265,631</u> |
| Accumulated depreciation: | | | | | |
| At 1 January 2020 | 8,068 | 138,064 | 1,351 | 70,703 | 218,186 |
| Impact of hyperinflation | - | 3,387 | - | 3,004 | 6,391 |
| At 1 January 2020 (adjusted) | <u>8,068</u> | <u>141,451</u> | <u>1,351</u> | <u>73,707</u> | <u>224,577</u> |
| Charge for the year | 10,492 | 157,555 | 1,949 | 70,900 | 240,896 |
| Disposals | (1,080) | (53,990) | (369) | (39,414) | (94,853) |
| Discontinued operations (Note 10) | (2,577) | (17,867) | (88) | (1,909) | (22,441) |
| Exchange rate difference | 3 | 2,903 | 122 | 390 | 3,418 |
| Impact of hyperinflation | - | 4,799 | - | 2,139 | 6,938 |
| At 1 January 2021 | <u>14,906</u> | <u>234,851</u> | <u>2,965</u> | <u>105,813</u> | <u>358,535</u> |
| 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 | <u>17,197</u> | <u>248,587</u> | <u>4,498</u> | <u>101,083</u> | <u>371,365</u> |
| Net book value: | | | | | |
| At 31 December 2021 | <u>157,565</u> | <u>599,868</u> | <u>2,342</u> | <u>134,491</u> | <u>894,266</u> |
| At 31 December 2020 | <u>179,883</u> | <u>585,858</u> | <u>4,077</u> | <u>120,311</u> | <u>890,129</u> |

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

6 Leases (continued)

Right of use assets (continued)

Depreciation charge for the year is allocated as follows:

| | 2021 AED'000 | 2020 AED'000 |
|----------------------------------|-----------------|-----------------|
| Administrative expense (Note 28) | 70,398 | 69,313 |
| Cost of services (Note 27) | 181,550 | 158,206 |
| Discontinued operations | - | 13,377 |
| | <u>251,948</u> | <u>240,896</u> |

Lease liabilities

| | <i>Future minimum lease payments</i> AED'000 | <i>Interest</i> AED'000 | <i>Present value of minimum lease payments</i> AED'000 |
|-----------------|---|--------------------------------|---|
| 2021 | | | |
| Within one year | 231,071 | 50,689 | 180,382 |
| After one year | 1,086,697 | 331,764 | 754,933 |
| Total | <u>1,317,768</u> | <u>382,453</u> | <u>935,315</u> |
| 2020 | | | |
| Within one year | 231,578 | 45,030 | 186,548 |
| After one year | 1,036,090 | 334,900 | 701,190 |
| Total | <u>1,267,668</u> | <u>379,930</u> | <u>887,738</u> |

Lease liabilities measured at present value were unwound during the year ended 31 December 2021 for an amount of AED 46,777 thousand (2020: AED 45,228 thousand) where a portion amounting to AED 199 thousand was unpaid as of 31 December 2021 (2020: AED 231 thousand).

In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification where the Group has early adopted the amendment during the year ended 31 December 2020. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.

The impact on the consolidated financial position and the consolidated statement of income on the early application of the amendment of IFRS 16 during 2020 was as follows:

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

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

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

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

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

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

7 Goodwill

| | 2021 AED'000 | 2020 AED'000 |
|-------------------------|------------------|------------------|
| At 1 January | 1,135,511 | 1,128,337 |
| Discontinued operations | (109,389) | (6,438) |
| Acquisitions* | 5,142 | - |
| Impairment | (2,975) | - |
| Exchange differences | (25,721) | 13,612 |
| At 31 December | 1,002,568 | 1,135,511 |

*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 recognized as goodwill. An additional amount of AED 483 thousand was recognized 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 2021 and 2020. 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 recognized in the consolidated statement of income. 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:

| | 2021 AED'000 | 2020 AED'000 |
|------------------------------|------------------|------------------|
| Domestic shipping | 486,430 | 498,542 |
| Express shipping | 268,406 | 272,863 |
| Freight forwarding | 167,025 | 169,799 |
| Documents storage | - | 109,389 |
| Logistics | 74,495 | 75,731 |
| Publication and distribution | 6,212 | 9,187 |
| | 1,002,568 | 1,135,511 |

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

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

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

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC for the industry which ranges between 9.5% to 12.2% (2020: ranges between 9.4% to 12.3%). 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.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

7 Goodwill (continued)

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

Growth rate estimates – Growth rate used of 3.1% (2020: 3.3%) is based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory.

Sensitivity to changes in assumptions

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

8 Other intangible assets

| | <i>Customer lists and other intangible assets with definite useful life AED'000</i> | <i>Franchises with indefinite useful life * AED'000</i> | <i>Other intangible assets AED'000</i> | <i>Total AED'000</i> |
|--------------------------------------|---|---|--|--------------------------|
| Cost: | | | | |
| At 1 January 2020 | 67,459 | 181,250 | 6,856 | 255,565 |
| Discontinued operations (Note 10) | (10,699) | - | - | (10,699) |
| Exchange differences | - | 12,935 | - | 12,935 |
| At 31 December 2020 | 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 |
| Amortisation and impairment: | | | | |
| At 1 January 2020 | 41,324 | - | - | 41,324 |
| Amortisation | 4,288 | - | 4,572 | 8,860 |
| Discontinued operations (Note 10) | (8,788) | - | - | (8,788) |
| At 31 December 2020 | 36,824 | - | 4,572 | 41,396 |
| Amortisation | 2,780 | - | 2,284 | 5,064 |
| At 31 December 2021 | 39,604 | - | 6,856 | 46,460 |
| Net book value: | | | | |
| At 31 December 2021 | 17,156 | 184,099 | - | 201,255 |
| At 31 December 2020 | 19,936 | 194,185 | 2,284 | 216,405 |

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

The Group performed its annual impairment test on 31 December 2021 and 2020. The Group considers the relationship between its market capitalization and its book value among other factors, when reviewing for indicators of impairment. As at 31 December 2021, the market capitalization of the Group was above the book value of its equity. The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections from financial forecast approved by board of directors covering a five year period.

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

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

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

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 2.5% (2020: 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 8.2% to 8.6% (2020: 8.5% 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 2021 and 2020, there were no subsidiaries with material non-controlling interest to the Group.

10 Discontinued operation

(A) Description

(i) Disposal group of assets

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 year ended 31 December 2021, most of the group of assets were sold with effect on 31 August 2021 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 income 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 income 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.

ARAMEX PJSC AND ITS SUBSIDIARIES
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31 DECEMBER 2021 (continued)

10 Discontinued operation (continued)

(B) Financial performance of the discontinued operation

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

| | 2021 AED '000 | 2020 AED '000 |
|---|------------------|------------------|
| Rendering of services | 120,393 | 166,759 |
| Direct costs | (60,190) | (78,896) |
| Gross profit | 60,203 | 87,863 |
| Selling and marketing expenses | (6,643) | (9,654) |
| Administrative expenses | (30,128) | (45,153) |
| Net impairment loss on financial assets | (2,946) | (3,452) |
| Other (expenses)/income, net | (756) | 114 |
| Operating profit | 19,730 | 29,718 |
| Finance income | 359 | 324 |
| Finance expense | (2,153) | (3,473) |
| Profit before tax | 17,936 | 26,569 |
| Income tax expense | (2,195) | (3,276) |
| Profit for the year | 15,741 | 23,293 |
| Gain on sale of discontinued operations | 31,608 | - |
| Profit from discontinued operations | 47,349 | 23,293 |
| Other comprehensive income | - | - |
| Total comprehensive income | 47,349 | 23,293 |
| Profit for the year attributable to: | | |
| <i>Equity holders of the Parent</i> | 46,246 | 21,809 |
| <i>Non-controlling interests</i> | 1,103 | 1,484 |
| | 47,349 | 23,293 |

(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:

| | 2021 AED'000 | 2020 AED'000 |
|---------------------------|-----------------|-----------------|
| Assets | | |
| Non-current assets | | |
| Property and equipment | 2,867 | 81,171 |
| Right of use assets | 2,868 | 41,514 |
| Goodwill | - | 6,438 |
| Other intangible assets | - | 1,911 |
| Deferred tax assets | - | 885 |
| | 5,735 | 131,919 |
| Current assets | | |
| Accounts receivable, net | 2,867 | 29,409 |
| Other current assets | 140 | 14,520 |
| Cash and bank balances | 1,908 | 42,115 |
| | 4,915 | 86,044 |
| Total assets | 10,650 | 217,963 |

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

10 Discontinued operation (continued)

(C) Assets held for sale (continued)

| | 2021 AED'000 | 2020 AED'000 |
|---|-----------------|-----------------|
| Liabilities | | |
| Non-current liabilities | | |
| Employees' end of service benefits | 271 | 14,949 |
| Lease liabilities | 1,118 | 33,757 |
| Deferred tax liabilities | - | 1,038 |
| Interest-bearing loans and borrowings | - | 4,091 |
| | <u>1,389</u> | <u>53,835</u> |
| Current liabilities | | |
| Trade payables | 207 | 5,814 |
| Lease liabilities | 1,608 | 9,324 |
| Other current liabilities | 1,210 | 21,126 |
| Income tax provision | 91 | 2,818 |
| Interest-bearing loans and borrowings | - | 1,089 |
| | <u>3,116</u> | <u>40,171</u> |
| Total liabilities | <u>4,505</u> | <u>94,006</u> |
| Net assets directly associated with disposal group | <u>6,145</u> | <u>123,957</u> |

Cash flows from discontinued operations:

| | | |
|--|--------------|--------------|
| Net cash generated from operating activities | 5,517 | 50,034 |
| Net cash used in investing activities | (26) | (6,483) |
| Net cash used in financing activities | (2,727) | (39,267) |
| Net cash inflows | <u>2,764</u> | <u>4,284</u> |

(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 August 2021 AED'000 |
|---------------------------|------------------------------|
| Assets | |
| Non-current assets | |
| Property and equipment | 78,891 |
| Right of use assets | 45,843 |
| Goodwill | 6,438 |
| Other intangible assets | 892 |
| Deferred tax assets | 925 |
| | <u>132,989</u> |
| Current assets | |
| Accounts receivable, net | 31,542 |
| Other current assets | 21,694 |
| Cash and bank balances | 43,430 |
| | <u>96,666</u> |
| Total assets | <u>229,655</u> |

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

10 Discontinued operation (continued)

(D) Sale of a subsidiary (continued)

| | 31 August 2021 AED'000 |
|---|------------------------------|
| Liabilities | |
| Non-current liabilities | |
| Employees' end of service benefits | 15,393 |
| Lease liabilities | 38,994 |
| Deferred tax liabilities | 1,251 |
| | <u>55,638</u> |
| Current liabilities | |
| Trade payables | 6,794 |
| Lease liabilities | 8,661 |
| Other current liabilities | 61,001 |
| Income tax provision | 2,240 |
| | <u>78,696</u> |
| Total liabilities | <u>134,334</u> |
| Non-controlling interest | <u>3,223</u> |
| Net assets directly associated with disposal group | <u>92,098</u> |

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 recognized a receivable from the escrow account. During the time specified in the SPA and once the adjustments have crystallized 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 recognized prospectively as changes in estimates in the consolidated statement of income in the period when they take place. At the time of the sale, the fair value of the consideration was determined to be AED 335,157 thousand.

The gain on sale of the subsidiary has been calculated as follows:

| | 31 August 2021 AED'000 |
|---|------------------------------|
| Consideration received or receivable: | |
| Cash | 288,056 |
| Receivable | 47,101 |
| Total disposal consideration | <u>335,157</u> |
| Carrying amount of net assets sold (including goodwill recognised at the group level) | <u>(237,327)</u> |
| Gain on sale before income tax, reclassification of foreign currency translation reserve and costs to sell | <u>97,830</u> |
| 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 | <u>31,608</u> |

11 Investments in joint ventures

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

| | <i>Ownership percentage</i> | | <i>Country of incorporation</i> | <i>Nature of activity</i> | <i>Book value</i> | |
|--------------------------|-----------------------------|------|---------------------------------|---|-------------------|---------------|
| | 2021 | 2020 | | | 2021 | 2020 |
| | % | % | | | AED'000 | AED'000 |
| Aramex Sinotrans Co. LTD | 50 | 50 | China | Express, freight and logistics services | 32,594 | 33,215 |
| Others | 50 | 50 | - | - | - | - |
| | | | | | <u>32,594</u> | <u>33,215</u> |

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11 Investments in joint ventures (continued)

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:

| | 2021 | | |
|--|---|---------------|--------------|
| | <i>Aramex Sinotrans Co. LTD</i> | <i>Others</i> | <i>Total</i> |
| | AED'000 | AED'000 | 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% |
| 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, trade payables amounted to AED 45,395, other current liabilities amounted to AED 9,881, tax provisions amounted to AED 1,316 and lease liability of AED 2,516.

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

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

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

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31 DECEMBER 2021 (continued)

11 Investments in joint ventures (continued)

Summarised statement of profit or loss of the joint ventures:

| | 2021 | | |
|--|---|---------------|---------------|
| | <i>Aramex Sinotrans Co. LTD</i> | <i>Others</i> | <i>Total</i> |
| | AED'000 | AED'000 | 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/(loss) for the year | 23,386 | (28) | 23,358 |
| Group's share of profit/(loss) for the year | 11,693 | (14) | 11,679 |

| | 2020 | | |
|--|---|---------------|---------------|
| | <i>Aramex Sinotrans Co. LTD</i> | <i>Others</i> | <i>Total</i> |
| | AED'000 | AED'000 | AED'000 |
| Revenue | 386,732 | 17,217 | 403,949 |
| Cost of sale | (322,048) | (12,216) | (334,264) |
| Administrative expenses | (16,243) | (3,709) | (19,952) |
| Other expenses | (6,062) | (1,583) | (7,645) |
| Profit/(loss) before tax | 42,379 | (291) | 42,088 |
| Income tax | (10,649) | - | (10,649) |
| Profit/(loss) for the year | 31,730 | (291) | 31,439 |
| Group's share of profit/(loss) for the year | 15,865 | (145) | 15,720 |

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2021 and 2020.

12 Investments in associates

The details of the investments in associates were as follows:

| | <i>Ownership percentage</i> | | <i>Country of incorporation</i> | <i>Nature of activity</i> | <i>Book value</i> | |
|---------------------------------------|---------------------------------|------|-------------------------------------|---------------------------------|-------------------|--------------|
| | 2021 | 2020 | | | 2021 | 2020 |
| | % | % | | | AED'000 | AED'000 |
| Linehaul Express Australia Pty Ltd | 37.1 | 34.3 | Australia | Domestic services | 231 | 403 |
| WS One Investment LLC | 25 | 25 | UAE | Express services | - | 5,378 |
| Aramex Thailand Ltd | 49 | 49 | Thailand | Logistics and transportation | 4,623 | 807 |
| | | | | | <u>4,854</u> | <u>6,588</u> |

ARAMEX PJSC AND ITS SUBSIDIARIES
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31 DECEMBER 2021 (continued)

12 Investments in associates (continued)

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

| | 2021 | | | |
|--|---|----------------------------------|------------------------------------|-----------------|
| | <i>Linehaul Express Australia PTY Ltd</i> | <i>WS One Investment LLC</i> | <i>Aramex Thailand Ltd</i> | <i>Total</i> |
| | AED'000 | AED'000 | AED'000 | 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 |
| | 2020 | | | |
| | <i>Linehaul Express Australia PTY Ltd</i> | <i>WS One Investment LLC</i> | <i>Aramex Thailand Ltd</i> | <i>Total</i> |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| Non-current assets | 1,335 | 11,532 | 948 | 13,815 |
| Current assets | 12,314 | 14,810 | 4,000 | 31,124 |
| Non-current liabilities | (575) | - | (1,731) | (2,306) |
| Current liabilities | (11,898) | (4,831) | (1,570) | (18,299) |
| Equity | 1,176 | 21,511 | 1,647 | 24,334 |
| Proportion of the Group's ownership | 34.3% | 25% | 49% | - |
| Group's share | 403 | 5,378 | 807 | 6,588 |
| Carrying amount of the investment | 403 | 5,378 | 807 | 6,588 |
| | 2021 | | | |
| | <i>Linehaul Express Australia PTY Ltd</i> | <i>WS One Investment LLC</i> | <i>Aramex Thailand Ltd</i> | <i>Total</i> |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| Revenue | 98,339 | 18,349 | 60,741 | 177,429 |
| Cost of sale | (95,537) | (32,008) | (45,419) | (172,964) |
| Administrative expenses | (3,339) | (7,849) | (3,520) | (14,708) |
| Other income/(expenses) net | 206 | - | (1,733) | (1,527) |
| (Loss)/profit before tax | (331) | (21,508) | 10,069 | (11,770) |
| Income tax | (64) | - | (1,749) | (1,813) |
| (Loss)/profit for the year | (395) | (21,508) | 8,320 | (13,583) |
| Group's share of (loss)/profit for the year | (146) | (5,378) | 4,077 | (1,447) |

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12 Investments in associates (continued)

| | 2020 | | | |
|--|---|----------------------------------|------------------------------------|-----------------|
| | <i>Linehaul Express Australia PTY Ltd</i> | <i>WS One Investment LLC</i> | <i>Aramex Thailand Ltd</i> | <i>Total</i> |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| Revenue | 80,000 | 29,069 | 9,751 | 118,820 |
| Cost of sale | (76,063) | (38,122) | (7,524) | (121,709) |
| Administrative expenses | (2,996) | (11,366) | (1,944) | (16,306) |
| Other expenses net | (226) | - | (6) | (232) |
| Profit/(loss) before tax | 715 | (20,419) | 277 | (19,427) |
| Income tax | - | - | - | - |
| Profit/(loss) for the year | 715 | (20,419) | 277 | (19,427) |
| Group's share of profit/(loss) for the year | 247 | (5,105) | 136 | (4,722) |

The associates had no contingent liabilities or capital commitments as at 31 December 2021 and 2020.

13 Financial assets at fair value through other comprehensive income

At 31 December 2021, the Group designated investments disclosed in the following table as equity and debt securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

| | <i>Ownership percentage</i> | | <i>Country of incorporation</i> | <i>Nature of activity</i> | <i>Book value</i> | |
|---|---------------------------------|------|-------------------------------------|-------------------------------|-------------------|---------------|
| | 2021 | 2020 | | | 2021 | 2020 |
| | % | % | | | AED'000 | AED'000 |
| Unquoted equity financial assets | | | | | | |
| What 3 Words Ltd | 1.59 | 1.89 | UK | Global addressing systems | 15,241 | 15,241 |
| Jamalon Inc. | 7.49 | 7.49 | British Virgin Islands | Online book retail | - | 6,481 |
| Gutechno Logistics Private Ltd | 5.68 | 5.68 | India | Local delivery solutions | - | 1,844 |
| Flirtey Tech Pty Ltd. | 0.13 | 1 | USA | Drone Technology | 76 | 79 |
| Unquoted debt financial assets | | | | | | |
| Cell captive | | | South Africa | Insurance | 1,219 | 704 |
| Shippify Inc | | | USA | Food delivery | 1,102 | 1,102 |
| | | | | | 17,638 | 25,451 |

For equity instruments at fair value through OCI, gains and losses on these financial assets are never recycled to the consolidated statement of income. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment. During 2021 and 2020, the Group invested in and disposed of certain shares and securities for strategic and commercial purposes as shown in the following table:

| | 2021 | 2020 |
|---|---------------|---------------|
| | AED'000 | AED'000 |
| As at 1 January | 25,451 | 32,656 |
| Disposals | - | (5,349) |
| Transfers | - | (551) |
| Gain from revaluation of debt instruments | 572 | - |
| Net loss from revaluation of equity instruments | (8,325) | (1,284) |
| Exchange differences | (60) | (21) |
| As at 31 December | 17,638 | 25,451 |

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14 Income tax

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

Consolidated statement of income

| | 2021 AED'000 | 2020 AED'000 |
|--|-----------------|-----------------|
| Current income tax expense | 89,705 | 114,072 |
| Deferred tax | (8,233) | (5,121) |
| Income tax expense reported in the consolidated statement of income | 81,472 | 108,951 |

Deferred tax relates to the following:

| | | |
|---|-----------------|-----------------|
| Provision for expected credit losses | 4,485 | 3,629 |
| Impact of hyperinflation | (1,947) | (8,054) |
| Impact of IFRS 16 | 5,375 | 4,159 |
| Depreciation | (10,302) | (8,762) |
| Employees' end of service benefits | 9,926 | 3,871 |
| Net operating losses carried forward | 649 | 1,085 |
| Intangible assets with indefinite useful life | (53,006) | (56,132) |
| Others | 10,712 | 9,631 |
| | (34,108) | (50,573) |

Recognised as follows:

| | | |
|-----------------------------|-----------------|-----------------|
| As deferred tax assets | 8,006 | 7,786 |
| As deferred tax liabilities | (42,114) | (58,359) |
| | (34,108) | (50,573) |

Reconciliation of deferred tax liability, net:

| | | |
|-----------------------|-----------------|-----------------|
| At 1 January | (50,573) | (42,156) |
| Deferred tax assets | 8,233 | 5,121 |
| Foreign exchange | 8,232 | (13,538) |
| At 31 December | (34,108) | (50,573) |

Reconciliation between accounting profit and taxable profit:

| | | |
|---|---------|---------|
| Accounting profit before income tax | 262,224 | 355,353 |
| Non-deductible expenses | 52,962 | 125,745 |
| Taxable profit | 315,186 | 481,098 |
| Income tax expense reported in the consolidated statement of income | 81,472 | 108,951 |
| Effective income tax rate (%) | 31.07% | 30.66% |

Movements on income tax provision were as follows:

| | | |
|---------------------------------|---------------|---------------|
| At 1 January | 78,165 | 86,995 |
| Income tax expense for the year | 89,705 | 114,072 |
| Discontinued operations | - | 2,997 |
| Income tax paid | (96,549) | (125,260) |
| Foreign exchange | (8,774) | (639) |
| At 31 December | 62,547 | 78,165 |

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

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

ARAMEX PJSC AND ITS SUBSIDIARIES
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15 Accounts receivable, net

| | 2021 AED'000 | 2020 AED'000 |
|---|------------------|------------------|
| Accounts receivable | 1,311,466 | 1,181,725 |
| Less: impairment for expected credit losses | (92,044) | (87,798) |
| | <u>1,219,422</u> | <u>1,093,927</u> |

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

| | 2021 % | 2020 % |
|--------------------------------------|-----------|-----------|
| Gulf Cooperation Council | 46 | 40 |
| Middle East, North Africa and Turkey | 13 | 12 |
| East and South Africa | 4 | 5 |
| Europe | 12 | 12 |
| North America | 5 | 6 |
| North Asia | 5 | 11 |
| South Asia | 10 | 8 |
| Oceania | 5 | 6 |

As at 31 December 2021, accounts receivable at nominal value of AED 92,044 thousand (2020: AED 87,798 thousand) were impaired. Movement on expected credit losses was as follows:

| | 2021 AED'000 | 2020 AED'000 |
|--------------------------|-----------------|-----------------|
| At 1 January | 87,798 | 104,492 |
| Charge for the year, net | 15,635 | 25,319 |
| Amounts written-off | (4,132) | (30,137) |
| Discontinued operations | - | (11,292) |
| Impact of translation | (3,665) | - |
| Foreign exchange | (3,592) | (584) |
| At 31 December | <u>92,044</u> | <u>87,798</u> |

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

| | 2021 AED'000 | 2020 AED'000 |
|-----------------------|-----------------|-----------------|
| Prepaid expenses | 53,338 | 40,378 |
| Advances to suppliers | 79,587 | 76,539 |
| Refundable deposits | 37,172 | 44,168 |
| Withholding tax | 24,603 | 29,768 |
| Other receivables* | 99,009 | 81,021 |
| | <u>293,709</u> | <u>271,874</u> |

* As at 31 December 2021, the Group had other receivables amounting to AED 99,009 thousand (2020: AED 81,021 thousand) that mainly represent stationery, supplies and other receivables.

17 Cash and bank balances

| | 2021 AED'000 | 2020 AED'000 |
|--|-----------------|------------------|
| Cash and cash equivalents | 711,800 | 975,487 |
| Restricted cash, margins and fixed deposits* | 57,641 | 279,279 |
| | <u>769,441</u> | <u>1,254,766</u> |

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17 Cash and bank balances (continued)

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 (2020: 2.6% - 2.8% per annum).

Included in cash at banks are amounts totalling AED 620,536 thousand (2020: AED 736,100 thousand) of cash held at foreign banks abroad and amounts totalling approximately AED 141,284 thousand (2020: AED 235,228 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 7,375 thousand (2020: AED 9,276 thousand) and long-term deposits with maturities greater than 3 months of AED 48,043 thousand (2020: AED 243,083 thousand).

| | 2021 AED'000 | 2020 AED'000 |
|---|-----------------|-----------------|
| Restricted cash | 4,008 | 48,221 |
| Less: impairment for expected credit losses | (1,785) | (21,301) |
| | <u>2,223</u> | <u>26,920</u> |

Cash at banks in Lebanon balance as at 31 December 2020 in the amount of AED 48,221 thousand and related impairment of AED 21,301 thousand was reclassified to restricted cash during 2021 as detailed in Note 38.

Movement on expected credit losses was as follows:

| | 2021 AED'000 | 2020 AED'000 |
|-----------------------|-----------------|-----------------|
| At 1 January | 21,301 | - |
| Charge for the year | 912 | 21,301 |
| Impact of translation | (20,428) | - |
| At 31 December | <u>1,785</u> | <u>21,301</u> |

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

| | 2021 AED'000 | 2020 AED'000 |
|---------------------------------|-----------------|-----------------|
| Cash and cash equivalents | 711,800 | 975,487 |
| Less: bank overdrafts (Note 24) | (153,113) | (68,059) |
| | <u>558,687</u> | <u>907,428</u> |

18 Share capital

| | 2021 AED'000 | 2020 AED'000 |
|--|------------------|------------------|
| <i>Authorised, issued and paid up capital</i> | | |
| 1,464,100,000 ordinary shares of AED 1 each (2020: 1,464,100,000 ordinary shares of AED 1 each) | <u>1,464,100</u> | <u>1,464,100</u> |

19 Reserves

Statutory reserve

In accordance with the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 as amended, 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.

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19 Reserves (continued)

Foreign currency translation reserve

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

Reserve arising from acquisition of non-controlling interests

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

Reserve arising from other comprehensive income items

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

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

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

| | 2021 AED'000 | 2020 AED'000 |
|---|-----------------|-----------------|
| At 1 January | (6,214) | (193) |
| Net loss from revaluation | (7,065) | (1,284) |
| Transfer of loss/(gain) on disposal of equity investments at fair value through other comprehensive income to retained earnings | 1,102 | (4,737) |
| At 31 December | <u>(12,177)</u> | <u>(6,214)</u> |

Remeasurements of post-employment benefit obligations

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

| | 2021 AED'000 | 2020 AED'000 |
|---|-----------------|-----------------|
| At 1 January | (850) | 465 |
| Remeasurements of post-employment benefit obligations | 12 | (1,315) |
| Disposal of a subsidiary | 1,007 | - |
| At 31 December | <u>169</u> | <u>(850)</u> |

20 Dividends

At the Annual General Meeting of the shareholders held on 21 April 2021, the shareholders approved a cash dividend of 13% for the year ended 31 December 2020 (31 December 2019: cash dividend of 16.5% was approved at the Annual General Meeting of the shareholders held on 22 June 2020 for the year ended 31 December 2019) of the issued and paid up capital amounting to AED 1,464,100 thousands (31 December 2020: AED 1,464,100 thousands). The dividends per share amount to AED 0.13 (31 December 2020: AED 0.165).

21 Interest-bearing loans and borrowings

| | 2021 AED'000 | 2020 AED'000 |
|--------------------|-----------------|-----------------|
| Non-current | | |
| Term loans (a) | 135,885 | 154,510 |
| Notes payable | 1,374 | 7,490 |
| | <u>137,259</u> | <u>162,000</u> |
| Current | | |
| Term loans (a) | 23,553 | 539,149 |
| Notes payable | 3,871 | 3,692 |
| | <u>27,424</u> | <u>542,841</u> |

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 utilized as at 31 December 2021 is nil (2020: amounted to USD 140 million (equivalent to AED 514 million)). The purpose of this facility is to fund capital expenditure and working capital requirements including permitted acquisitions. The loan is secured by corporate guarantee extended by Aramex PJSC, Aramex Abu Dhabi LLC, Aramex Emirates LLC, Aramex International LLC, Aramex Hong Kong Limited, Aramex Int'l Egypt for Air & Local Services (Egypt), Aramex Saudi Limited Company, Aramex UK Limited, Aramex Doha WLL and Aramex International Limited (Kuwait).

HSBC loan (1)

During 2016, Aramex Fastway entered into a 5 year term loan agreement with HSBC Bank Australia for a total amount of AED 108 million (AUD 39.6 million) bearing annual interest rate of AUD (BBSY) plus a margin of 1.5% p.a. The term loan is repayable in 20 consecutive quarterly instalments; the first instalment was due on 30 June 2016. The purpose of this facility is to finance new acquisitions. The loan is secured by corporate guarantee extended by Aramex PJSC. The loan matured in January 2021.

During 2021, Aramex Fastway refinanced the 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 this facility is to finance the Fastway acquisition and any potential further increases for general corporate purposes. The loan is secured by corporate guarantee extended by Aramex PJSC.

HSBC loan (2)

During 2016, Aramex New Zealand entered into a 5 year term loan agreement with HSBC Bank New Zealand for a total amount of AED 115 million (NZD 44.2 million) bearing annual interest rate of NZD (BKBM) plus a margin of 1.5% p.a. The term loan is repayable in 20 consecutive quarterly instalments; the first instalment was due on 30 June 2016. The purpose of this facility is to finance new acquisitions. The loan is secured by corporate guarantee extended by Aramex PJSC. The loan matured in January 2021.

During 2021, Aramex New Zealand refinanced the 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.

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 2021.

Others

Term loans also include a number of loans obtained by Group with a balance of AED 8 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.

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31 DECEMBER 2021 (continued)

21 Interest-bearing loans and borrowings (continued)

(a) Term loans (continued)

The principal instalments payable after 2022 for long-term loans as of 31 December 2021 are as follows:

| <i>Year</i> | 2021 AED'000 |
|-----------------|-----------------|
| 2023 | 11,363 |
| 2024 | 12,430 |
| 2025 | 12,430 |
| 2026 thereafter | 99,662 |
| | <u>135,885</u> |

22 Employees' end of service benefits

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

| | 2021 AED'000 | 2020 AED'000 |
|--|-----------------|-----------------|
| At 1 January | 149,187 | 146,983 |
| Provided during the year | 33,813 | 38,377 |
| Paid during the year | (31,732) | (22,346) |
| Discontinued operations (Note 10) | (56) | (14,949) |
| Actuary valuation through other comprehensive income | (12) | 1,315 |
| Exchange differences | (2,378) | (193) |
| At 31 December | <u>148,822</u> | <u>149,187</u> |

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

| | 2021 % | 2020 % |
|-------------------------------|-----------|-----------|
| Discount rate | 3.07 | 3.51 |
| Salary increase rate | 2.61 | 2.97 |
| Normal retirement age (years) | 64 | 64 |

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 December 2021 and 31 December 2020 is, as shown below:

| | Impact on defined benefit obligation | |
|-----------------------|---|-----------------|
| | 2021 AED'000 | 2020 AED'000 |
| Discount rate: | | |
| 0.5% increase | (400) | (679) |
| 0.5% decrease | 898 | 738 |
| Salary increase rate: | | |
| 0.5% increase | 898 | 763 |
| 0.5% decrease | (406) | (706) |

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.

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:

| | 2021 AED'000 | 2020 AED'000 |
|-------------------------------------|-----------------|-----------------|
| Aramex Special Logistics (Citibank) | 100,144 | 12,834 |
| Aramex International LLC (HSBC) | 47,744 | 51,416 |
| Aramex Algeria S.A.L (Citibank) | 4,345 | 3,586 |
| Aramex Tunisia (Arab Bank) | 546 | 202 |
| Aramex Kenya Limited (Citibank) | 334 | 21 |
| | <u>153,113</u> | <u>68,059</u> |

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

25 Other current and non-current liabilities

(A) Other current liabilities

| | 2021 AED'000 | 2020 AED'000 |
|-------------------------------|-----------------|------------------|
| Accrued expenses | 448,926 | 454,194 |
| Deferred revenue | 20,467 | 25,570 |
| Sales tax and other taxes | 67,026 | 130,522 |
| Customers' deposits | 10,438 | 10,761 |
| Social security taxes payable | 6,636 | 11,046 |
| Claims | 75,501 | 104,246 |
| Others * | 221,437 | 302,636 |
| | <u>850,431</u> | <u>1,038,975</u> |

* As at 31 December 2021, the Group has had other liabilities related mainly to cash on delivery collected by the Group on behalf of the customers, amounting to AED 141,284 thousand (2020: AED 235,228 thousand) (Note 17).

(B) Other non-current liabilities

In August 2021, the Group entered into a license and a software agreement and deed of termination. An amount of AED 19,587 thousand was recognized as deferred income during the year 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 1,282 thousand was amortised during the year and recognised in the consolidated statement of income.

Deferred income are classified in the non-current liabilities as deferred income and they are credited to the consolidated statement of income on as straight-line basis over the contractual period.

ARAMEX PJSC AND ITS SUBSIDIARIES
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31 DECEMBER 2021 (continued)

26 Rendering of services

| | 2021 AED'000 | 2020 AED'000 |
|-----------------------|------------------|------------------|
| International express | 2,654,796 | 2,573,330 |
| Domestic express | 1,489,166 | 1,362,069 |
| Freight forwarding | 1,325,551 | 1,084,731 |
| Logistics | 434,856 | 374,862 |
| Others* | 164,436 | 115,307 |
| | <u>6,068,805</u> | <u>5,510,299</u> |

* 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.

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.

27 Cost of services

| | 2021 AED'000 | 2020 AED'000 |
|---|------------------|------------------|
| International express costs | 1,497,541 | 1,337,599 |
| Freight forwarding costs | 1,055,930 | 839,547 |
| Domestic express costs | 713,812 | 618,580 |
| Salaries and benefits (Note 30) | 683,467 | 612,004 |
| Depreciation of right of use assets (Note 6) | 181,550 | 158,206 |
| Logistics costs | 163,380 | 123,758 |
| Vehicle running and maintenance | 82,702 | 72,917 |
| Supplies | 45,882 | 44,140 |
| Depreciation of property and equipment (Note 5) | 36,683 | 38,664 |
| Communication expenses | 12,664 | 10,863 |
| Government fees and taxes | 4,895 | 4,128 |
| Others | 159,432 | 116,102 |
| | <u>4,637,938</u> | <u>3,976,508</u> |

28 Administrative expenses

| | 2021 AED'000 | 2020 AED'000 |
|---|-----------------|-----------------|
| Salaries and benefits (Note 30) | 343,242 | 356,123 |
| Repairs and maintenance | 100,747 | 69,110 |
| Depreciation of property and equipment (Note 5) | 74,108 | 68,313 |
| Depreciation of right of use assets (Note 6) | 70,398 | 69,313 |
| Professional fees | 54,102 | 28,729 |
| Communication expenses | 53,471 | 50,404 |
| Government fees and taxes | 31,031 | 24,878 |
| Insurance and security | 27,942 | 19,633 |
| Utilities | 11,071 | 12,656 |
| Legal expenses | 8,698 | 9,711 |
| Entertainment | 6,468 | 5,607 |
| Printing and stationary | 5,662 | 6,642 |
| Travel expenses | 5,348 | 4,529 |
| Vehicle running expenses | 2,847 | 2,556 |
| Corporate social responsibility* | 2,771 | 3,178 |
| Sponsorship | 262 | 124 |
| Others | 89,486 | 60,420 |
| | <u>887,654</u> | <u>791,926</u> |

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

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31 DECEMBER 2021 (continued)

29 Other income, net

| | 2021 AED'000 | 2020 AED'000 |
|---|-----------------|-----------------|
| Exchange loss | (14,624) | (1,217) |
| Gain/(loss) on sale of property and equipment | 2,943 | (417) |
| Miscellaneous income | 29,530 | 16,216 |
| | <u>17,849</u> | <u>14,582</u> |

30 Staff costs

| | 2021 AED'000 | 2020 AED'000 |
|---------------------------|------------------|------------------|
| Salaries and allowances | 1,214,578 | 1,112,572 |
| End of service benefits | 33,758 | 36,428 |
| Other employees' benefits | 14,853 | 17,716 |
| | <u>1,263,189</u> | <u>1,166,716</u> |

Staff costs are allocated as follows:

| | | |
|-----------------------------------|------------------|------------------|
| Administrative expenses (Note 28) | 343,242 | 356,123 |
| Selling and marketing expenses | 236,480 | 198,589 |
| Cost of services (Note 27) | 683,467 | 612,004 |
| | <u>1,263,189</u> | <u>1,166,716</u> |

31 Related party transactions

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

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

Directors' fees paid

Directors' fees of AED 5,935 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2021 were accrued for during 2021 (2020: an amount of AED 3,966 thousand were accrued for during 2020). Directors' fees of 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 (2020: AED 3,600 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2019 were paid in 2020).

Key management compensation

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

| | 2021 AED'000 | 2020 AED'000 |
|--|-----------------|-----------------|
| Salaries and other short term benefits | 6,402 | 10,844 |
| Board remuneration | 4,050 | 3,600 |
| End of service benefits | 21 | 572 |
| | <u>10,473</u> | <u>15,016</u> |

Significant subsidiaries of the Group include:

Aramex Fastway Holdings PTY Ltd.
Aramex Jordan Ltd.
Aramex India Private Limited
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex Muscat LLC
Aramex Emirates LLC, UAE
Aramex Ireland Limited

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021 (continued)

31 Related party transactions (continued)

Significant subsidiaries of the Group include: (continued)

Aramex South Africa PTY Ltd.
Aramex Hong Kong Limited
Aramex Saudi Limited Company
Aramex International Hava Kargo Ve Kurye Anonim Sirketi
Aramex International Logistics Private Ltd.
Aramex (UK) Limited
Aramex New Zealand Holdings Ltd
Aramex Doha WLL
Aramex International Ltd

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

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year in the normal course of business. The outstanding balances as at 31 December 2021 and 2020, 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: | | | | | |
| | 2021 | 22,444 | 1,208 | 4,629 | 1,432 |
| | 2020 | 1,615 | 1,197 | 53 | 970 |
| Joint ventures in which the parent is a venture: | | | | | |
| | 2021 | 150,119 | 640 | 40,651 | - |
| | 2020 | 83,105 | 981 | 25,329 | 53 |
| Companies controlled by previous shareholders (c) | | | | | |
| | 2021 | - | - | - | - |
| | 2020 | 60,808 | - | - | - |
| Related parties and companies controlled by shareholders (d) and (e) | | | | | |
| | 2021 | 44,721 | - | 36,028 | 685 |
| | 2020 | 658 | - | 4,721 | - |

(a) These amounts are classified as accounts receivable.

(b) These amounts are classified as accounts payable.

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

(d) Included in the above disclosure balances as at 31 December 2021 and transactions for the year ended 31 December 2021 and for the period from 20 October 2021 to 31 December 2021 by the new shareholder, GeoPost, which acquired 24.93% of Aramex PJSC's issued shares during October 2021 as detailed in Note 1.

(e) Included in the above disclosure balances as at 31 December 2021 and transactions for the period from 17 September 2020 to 31 December 2021 with companies under common control by the new shareholder, Alpha Oryx Limited, which acquired 22.5% of Aramex PJSC's issued shares on 17 September 2020 as detailed in Note 1.

ARAMEX PJSC AND ITS SUBSIDIARIES
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31 DECEMBER 2021 (continued)

32 Earnings per share

| | 31 December 2021 | 31 December 2020 |
|---|----------------------|----------------------|
| Profit attributable to shareholders of the Parent (AED'000) | | |
| Profit for the year from continuing operations | 179,295 | 244,843 |
| Profit for the year from discontinued operations | 46,246 | 21,809 |
| | <u>225,541</u> | <u>266,652</u> |
| Weighted average number of shares during the year (shares) | <u>1,464 Million</u> | <u>1,464 Million</u> |
| Basic and diluted earnings per share from continuing operations (AED) | <u>0.122</u> | <u>0.167</u> |
| Basic and diluted earnings per share from discontinued operations (AED) | <u>0.032</u> | <u>0.015</u> |

33 Net gain/(loss) 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.

Based on the Group's assessment, management booked a provision of AED 7,712 thousand (AED 1,469 thousand representing property damages and AED 6,243 thousand representing estimated loss on the customers goods) and AED 45,173 thousand (AED 1,102 thousand representing property damages and AED 44,071 thousand representing estimated loss on the customers goods) to cover the estimated losses as at 31 December 2020 for Aramex Lebanon and Aramex Morocco respectively.

An additional provision was taken for a legal claim that occurred as a result of the fire incident in Morocco during the year ended 31 December 2020 with a total value of AED 36,726 thousand, this provision is related to a settlement agreement dated 16 March 2021 between the Company and a customer. On 28 March 2021, an amount of AED 36,726 was fully paid to the customer.

During the year ended 31 December 2021, a gain is recognized in connection with Aramex Lebanon amounting to AED 8,950 thousand representing a collection from the insurance company amounting to AED 6,611 thousand and a reversal of provision amounting to AED 2,339 thousand. The remaining provision related to Aramex Lebanon as at 31 December 2021 amounted to AED 411 thousand related to a minor customer claim.

During the current year, a gain is recognized in connection with Aramex Morocco Logistics SARL amounting to AED 24,717 thousand representing a collection from the insurance company amounting to AED 6,244 thousand and a reversal of provision amounting to AED 18,473 thousand following a settlement with the insurance company. The remaining provision related to Aramex Morocco Logistics SARL as at 31 December 2021 amounted to AED 19,354 thousand related to multiple claims from different customers.

34 Segmental information

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

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

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

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

The following table presents revenue and profit information for each of the Group's operating segments for the years ended 31 December 2021 and 2020, respectively.

| | Courier** AED'000 | Freight forwarding AED'000 | Logistics AED'000 | Others AED'000 | Total AED'000 |
|--|----------------------|----------------------------------|----------------------|-------------------|------------------|
| Year ended 31 December 2021 | | | | | |
| Revenue | | | | | |
| Total revenues | 4,143,962 | 1,325,551 | 434,856 | 164,436 | 6,068,805 |
| Timing of revenue recognition | | | | | |
| Goods transferred at a point in time | 4,143,962 | 1,325,551 | 434,856 | 164,436 | 6,068,805 |
| Services transferred overtime | - | - | - | - | - |
| Total revenues from contracts with customers | 4,143,962 | 1,325,551 | 434,856 | 164,436 | 6,068,805 |
| Gross profit | 1,147,792 | 153,875 | 42,481 | 86,719 | 1,430,867 |
| Earnings before interest and tax* | 266,879 | 14,312 | 22,463 | 2,020 | 305,674 |
| Year ended 31 December 2020 | | | | | |
| Revenue | | | | | |
| Total revenues | 3,935,399 | 1,084,731 | 374,862 | 115,307 | 5,510,299 |
| Timing of revenue recognition | | | | | |
| Goods transferred at a point in time | 3,935,399 | 1,084,731 | 374,862 | 115,307 | 5,510,299 |
| Services transferred overtime | - | - | - | - | - |
| Total revenues from contracts with customers | 3,935,399 | 1,084,731 | 374,862 | 115,307 | 5,510,299 |
| Gross profit | 1,273,801 | 135,357 | 49,903 | 74,730 | 1,533,791 |
| Earnings/(losses) before interest and tax * | 457,705 | 16,519 | (84,705) | 10,029 | 399,548 |

34 Segmental information (continued)

* Earnings before interest and tax from "Logistics" is AED 5,758, after excluding losses from the incidents of AED 89,611 (Note 33), and impairment losses on bank balances of AED 852 thousand for the year ended 31 December 2020.

** Courier segment includes international express and domestic express.

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

Geographical segments

The business segments are managed on a worldwide basis, but operate in 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.

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

| | 2021 AED'000 | 2020 AED'000 |
|---|------------------|------------------|
| Revenues | | |
| United Arab Emirates | 887,667 | 824,987 |
| Gulf Cooperation Council excluding United Arab Emirates | 1,276,568 | 1,246,314 |
| Middle East, North Africa and Turkey | 750,269 | 700,881 |
| East and South Africa | 330,361 | 266,329 |
| Europe | 772,819 | 682,645 |
| North America | 285,056 | 216,977 |
| North Asia | 598,892 | 686,344 |
| South Asia | 534,176 | 384,215 |
| Oceania | 632,997 | 501,607 |
| | <u>6,068,805</u> | <u>5,510,299</u> |
| Assets | | |
| United Arab Emirates | 1,899,450 | 2,561,367 |
| Gulf Cooperation Council excluding United Arab Emirates | 802,861 | 799,407 |
| Middle East, North Africa and Turkey | 642,291 | 700,885 |
| East and South Africa | 177,303 | 166,578 |
| Europe | 592,904 | 557,409 |
| North America | 160,316 | 164,070 |
| North Asia | 211,145 | 274,517 |
| South Asia | 251,179 | 239,005 |
| Oceania | 662,499 | 651,932 |
| | <u>5,399,948</u> | <u>6,115,170</u> |
| Non - current assets* | | |
| United Arab Emirates | 765,315 | 839,590 |
| Gulf Cooperation Council excluding United Arab Emirates | 334,843 | 293,109 |
| Middle East, North Africa and Turkey | 279,749 | 344,380 |
| East and South Africa | 68,016 | 49,928 |
| Europe | 160,731 | 123,597 |
| North America | 41,351 | 45,116 |
| North Asia | 36,499 | 9,529 |
| South Asia | 62,367 | 66,311 |
| Oceania | 343,166 | 356,983 |
| | <u>2,092,037</u> | <u>2,128,543</u> |

34 Segmental information (continued)

| Geographical segments (continued) | 2021 | 2020 |
|---|------------------|------------------|
| | AED'000 | AED'000 |
| Liabilities | | |
| United Arab Emirates | 833,340 | 1,311,396 |
| Gulf Cooperation Council excluding United Arab Emirates | 598,522 | 730,287 |
| Middle East, North Africa and Turkey | 276,322 | 362,874 |
| East and South Africa | 71,024 | 58,178 |
| Europe | 206,444 | 185,060 |
| North America | 70,480 | 75,935 |
| North Asia | 135,837 | 126,008 |
| South Asia | 78,856 | 88,475 |
| Oceania | 453,130 | 469,996 |
| | <u>2,723,955</u> | <u>3,408,209</u> |

* Non-current assets for this purpose consist of property and equipment, other intangible assets, right of use assets, financial assets at fair value through other comprehensive income and investments in joint ventures and associates. Goodwill is allocated to business segments (Note 7).

35 Commitments and contingencies

Guarantees

| | 2021 | 2020 |
|----------------------|----------------|----------------|
| | AED'000 | AED'000 |
| Letters of guarantee | <u>146,997</u> | <u>138,995</u> |

Capital commitments

As at 31 December 2021, the Group has capital commitments of AED 34 million (2020: AED 15 million) towards purchase/construction of property and equipment.

Legal claims contingency

The Group is a defendant in a number of lawsuits amounting to AED 41,942 thousand representing legal actions and claims related to its ordinary course of business (2020: AED 302,490 thousand). Management and its legal advisors believe that the provision recorded of AED 13,350 thousand as of 31 December 2021 is sufficient to meet the obligations that may arise from the lawsuits (2020: AED 47,628 thousand).

During 2020, a portion of the AED 302,490 thousand represents a lawsuit from a customer claiming a total amount of AED 149,008 thousand resulting from the fire incident in one of the Group's subsidiaries, Aramex Morocco Logistics SARL. During 2021, an amount of AED 36,726 thousand was settled by the Group as a final settlement against the claim.

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.

36 COVID-19 impact assessment

In January 2020, the World Health Organization (WHO) announced a global health emergency because of (the "COVID-19 outbreak") which, in March 2020, was declared as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life. As of 31 December 2021, the Group is continuously monitoring the impact of COVID-19 pandemic on the business, operations and its finances, particularly on the international express costs which was affected mainly due to the transportation restrictions imposed globally.

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36 COVID-19 impact assessment (continued)

COVID-19 impact on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Loss ("ECL") based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Group utilises a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. The Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is evolving at this point, which makes it challenging to reliably reflect impacts on the ECL estimates.

However, management has performed revised assessments and no material impact has been accounted for in these consolidated financial statements. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

Liquidity management

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

Business continuity planning

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

37 Financial instruments by category

| | 2021 AED'000 | 2020 AED'000 |
|---|------------------|------------------|
| Financial assets at fair value through other comprehensive income | | |
| Equity instruments | 15,317 | 23,645 |
| Debt instruments | 2,321 | 1,806 |
| | <u>17,638</u> | <u>25,451</u> |
| Financial assets at amortised cost | | |
| Accounts receivable and other current assets (excluding prepayment, advances to suppliers and withholding tax) | 1,355,603 | 1,219,116 |
| Restricted cash, margins and bank deposits | 57,641 | 279,279 |
| Cash and bank balances | 711,800 | 975,487 |
| | <u>2,125,044</u> | <u>2,473,882</u> |
| Financial liabilities at amortised cost | | |
| Bank overdrafts | 153,113 | 68,059 |
| Lease liabilities | 935,315 | 887,738 |
| Interest-bearing loans and borrowings | 164,683 | 704,841 |
| Accounts payable, income tax provision, and other current liabilities (excluding deferred revenue) | 1,236,631 | 1,420,449 |
| | <u>2,489,742</u> | <u>3,081,087</u> |

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 157,528 thousand (2020: AED 146,685 thousand) have been excluded from accounts receivable and other current assets. Non-financial liabilities amounting to AED 20,467 thousand (2020: AED 25,570 thousand) have been excluded from accounts payable, income tax provision, and other 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.

38 Restricted cash reclassification

As of 31 December 2020, cash and cash equivalents included an amount of AED 26,920 thousand (net of ECL) held in Lebanese commercial banks. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Given the financial and economic crisis in Lebanon and due to the restrictions imposed by the Lebanese banks, the balances held with banks are considered to be subject to significant increase in credit risk rather than cash on hand or highly liquid investments. The significant credit risk would also indicate there is a significant risk in terms of the changes in value (notes 3.1(b) and 17). These balances were reclassified as part of 'Restricted cash, margins and fixed deposits', that is shown separately on the face of the consolidated statement of financial position, as they do not meet the definition of cash and cash equivalents (note 2.10). The comparatives were changed in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The reclassification did not result in any change to the prior year's reported consolidated profits or to the balances reported in the consolidated statement of changes in equity.

A third consolidated statement of financial position has not been presented as there were no provisions in earlier periods.

Consolidated statement of financial position as at 31 December 2020

| | As previously reported AED | Reclassifications increase/ (decrease) AED | As reclassified AED |
|---|----------------------------------|---|---------------------------|
| Restricted cash, margins and fixed deposits | 252,359 | 26,920 | 279,279 |
| Cash and cash equivalents | 1,002,407 | (26,920) | 975,487 |

Consolidated statement of cash flows for the year ended 31 December 2020

| | As previously reported AED | Reclassifications (decrease) AED | As reclassified AED |
|--|----------------------------------|--|---------------------------|
| Restricted cash | - | (48,221) | (48,221) |
| Net cash flows used in investing activities | (150,806) | (48,221) | (199,027) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 393,695 | (48,221) | 345,474 |
| Cash and cash equivalents | 955,649 | (48,221) | 907,428 |

39 Non-cash transactions

| | 2021 AED'000 | 2020 AED'000 |
|---|-----------------|-----------------|
| Additions of right of use assets (Note 6) | 353,537 | 332,531 |
| Disposals of right of use assets (Note 6) | 41,104 | 61,467 |
| Property and equipment (Note 5) | - | 2,820 |

Cash flow from operating, investing and financing activities of discontinued operations as of 31 December 2021 and 31 December 2020 are disclosed in Note 10.

40 Subsequent events

- (1) On 20 January 2022, Alpha Oryx Limited, a subsidiary of Abu Dhabi Development Holding Company ("ADQ") transferred 22.32% of Aramex PJSC's issued share capital to Abu Dhabi Ports Group which is also a subsidiary of Abu Dhabi Development Holding Company noting that the ultimate owner have not changed.
- (2) On 11 February 2022, the Group concluded on the true-up adjustment related to the SPA of Information Fort LLC. The Group considers this a non-adjusting event.
- (3) Subsequent to 31 December 2021, the Group partially disposed of a group of assets that were held for sale in the consolidated statement of financial position as at 31 December 2021. The Group considers this a non-adjusting event.