ARAMEX PJSC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ARAMEX PJSC AND ITS SUBSIDIARIES

Report of the directors and consolidated financial statements for the year ended 31 December 2023

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Dear valued stakeholders,

On behalf of the Board of Directors, it is an honour to present to you Aramex's 2023 Annual Report. I am pleased to begin by expressing my gratitude to Aramex's leadership and their respective teams for their exceptional dedication and the Company's performance throughout the year. The Board of Directors takes great pride in Aramex's collective efforts and great service standards, which have been instrumental in propelling regional economies forward.

The past year witnessed a global economic landscape riddled with uncertainties, hindering economic activity across borders, and proving a challenging operating environment for growing sectors including logistics. Aramex's global operations were impacted by macroeconomic headwinds including inflationary pressures, rising interest rates, and continued global supply chain disruptions. However, our home markets across the Gulf Cooperation Council (GCC) have exhibited great resilience in navigating this challenging economic landscape. Bolstered by key economic visions, resulting in increased government spending and economic diversification initiatives, GCC economies noted remarkable resilience in economic activity. These strategic initiatives have significantly fortified the region's growing significance in the global economy, particularly as a burgeoning trade hub as the region ramps up non-oil exports. This is evident in the estimated GDP growth of 3.8% in the non-oil sector of the GCC in 2023, while overall GDP growth in the region was modest at 0.5% for 2023 and is expected to pick up to 2.7%. For our key markets in the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA), non-oil GDP growth in 2023 is estimated at 5% and 4%, respectively, as per the latest data released by the International Monetary Fund (IMF) and Emirates NBD Outlook in January 2024. Elsewhere across the world, the US GDP growth was 2.5% and the Euro zone was stable with an estimated 0.5% growth in GDP. Emerging Markets and developing Asia recorded the highest estimated GDP growth of 5.4%, while GDP in Sub Saharan Africa is estimated to have grown 3.3%.

Turning to our industry, logistics and supply chain presented unique and dynamic opportunities for diversified growth-oriented players during 2023. Despite geopolitical risks and subdued economic performance across key markets including Europe, UK, and China, the ongoing expansion of ecommerce, logistics and warehousing have and will continue to offer clear growth opportunities. For instance, the global ecommerce fulfilment market is estimated to grow at a compounded annual growth rate (CAGR) of 10% between 2022 and 2030. In certain markets including the GCC, economic ambitions have driven further sectoral expansion with the addition of new and specialized product lines further supported by online user growth, growing infrastructure and transport networks.

In addition, the freight and logistics market across the GCC is estimated at $47.59 billion in 2023, and is expected to reach $66.61 billion by 2029, growing at a CAGR of 5.76% during the forecast period (2023-2029), according to Mordor Intelligence.

I view 2023 as a year where Aramex delivered consistent and responsible performance while remaining resilient amidst a challenging macroeconomic and geopolitical landscape. Revenues for the full year 2023 reached AED 5.69 billion and Gross Profit was maintained at AED 1.43 billion with a strong margin of 25%, representing an improvement of one percentage point. EBITDA also improved to AED 628 million, with a healthy margin of 11%, exemplifying Aramex's adept navigation through the complexities of the business landscape. Net Profit for the full year reached AED 129 million.

These results translated from the Company's steadfast commitment to strengthening its foundation, wherein management diligently focused on revenue growth, enhanced operational efficiencies and executed cost optimization strategies in 2023. This focus on robustness and adaptability not only enabled Aramex to maintain a resilient performance but strategically positions the Company for sustained success in the long term.

During the year, Aramex remained focussed on investing in new technologies, primarily across automation of facilities and route optimization for our last mile journey, in addition to leveraging the many opportunities presented by the growth in ecommerce and digitalization. The Company continued to grow its footprint of warehouses and pick up & delivery points. Aramex's core advantage remains diversification, reflected in its expansive product portfolio and industry verticals and more so evident in its strategically diversified geographical presence that continues to enable greater adaptability and flexibility against economic and sector-specific headwinds.

In our strive for operational excellence, Aramex remained committed to sustainability as the UAE hosted the United Nations Climate Conference, COP28. During the year, the Company accelerated the integration of sustainable practices across its operations including the introduction of a clean mobility EV fleet across the Emirates in addition to testing drone and robotic delivery. Through strategic collaborations and partnerships, Aramex is a proud contributor to the UAE's sustainability ambitions and aims to consistently achieve its climate pledge to reach carbon neutrality by 2030.

Looking ahead, we anticipate the continued growth of e-commerce and cross-border trade, alongside further adoption of automation and artificial intelligence. We are confident that Aramex, with its commitment to innovation, sustainability, customer-centricity, and wide-reaching network, is well-positioned to capitalize on these opportunities and remain a leading player in the ever-evolving landscape of logistics and transportation.

We remain committed to our esteemed shareholders, and in our pursuit of sustainable long-term value creation.

Once again, I extend my sincere appreciation to the entire Aramex family for their hard work, dedication and contributions throughout 2023, which have been instrumental in driving our continued growth and fostering a culture of excellence.

Sincerely yours,

Mohamed Juma Alshamsi

Chairman of the Board of Directors

Aramex PJSC

Independent auditor's report to the shareholders of Aramex PJSC

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aramex PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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)

Our audit approach

Overview

Key Audit Matters	•	Revenue recognition; and
	•	Impairment of goodwill.

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.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group focuses on revenues as a key performance measure and as a driver for growth and expansion. For the year ended 31 December 2023, the Group had revenue of AED 5.7 billion (2022: AED 5.9 billion) - Note 26. Due to the materiality of the amounts involved, diversity of the Group's geographical footprint, and susceptibility of such revenues to misstatements and fraud risk, we consider revenue recognition as a key audit matter.	Our audit procedures performed in relation to revenue recognition included: ● considering the appropriateness and testing the consistency of the Group's revenue recognition policies; ● assessing the compliance of such policies with the applicable IFRS Accounting 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 Accounting Standards.
Impairment of goodwill As at 31 December 2023, the Group had goodwill of AED 1,750 million (2022: AED 1,758 million) - Note 7. As required by IAS 36 – 'Impairment of Assets', the Group is required to annually test goodwill for impairment. Management's assessment process is complex and highly judgmental, and is based on assumptions, in particular the discount rate and growth rate estimates which are affected by expected future market or economic conditions. Any changes in assumptions could result in impairment of the goodwill. Accordingly, we consider goodwill impairment to be a key audit matter.	Our audit procedures performed in relation to the impairment assessment of goodwill included: ● testing the integrity of the model and on a sample basis the discounted cash flow model and assessed that the methodology used is consistent with IAS 36; ● assessing the appropriateness of forecast revenue and net operating profit before taxes growth rates through comparison to historical data; ● assessing the appropriateness of weighted average cost of capital through comparison with external economic benchmarking data to determine if it provided corroborative or contradictory evidence in relation to management's assumptions; ● involving our internal valuation expert, we assessed the discount rate assumptions and the mathematical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36; and ● assessing the completeness and accuracy of disclosures within the consolidated financial statements in accordance with IFRS Accounting Standards.

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

Other information

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

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

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

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

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

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and for such internal control as Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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.

Report on other legal and regulatory requirements

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

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

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

(iii) the Group has maintained proper books of account;

(iv) the financial information included in the Report of the Directors is consistent with the books of account of the Group;

(v) notes 10, 11, and 12 to the consolidated financial statements disclose the Group's investments in shares during the year ended 31 December 2023;

(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 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and

(viii) note 28 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2023.

PricewaterhouseCoopers Limited Partnership Dubai Branch
8 February 2024

برايس ووترهاوس كوبرز شراكة محدودة فرع دبي
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PRICEWATERHOUSECOOPERS LIMITED PARTNERSHIP DUBAI BR.

Ara Shahe Fermanian
Registered Auditor Number 5559
Dubai, United Arab Emirates

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	As at 31 December 2023 AED'000	2022 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	881,142	883,697
Right of use assets	6	863,982	860,524
Goodwill	7	1,750,191	1,757,680
Other intangible assets	8	309,935	324,362
Investments in joint ventures and associates	10,11	35,007	24,961
Financial assets at fair value through other comprehensive income	12	17,574	17,667
Deferred tax assets	13	26,110	28,135
Other non-current assets		7,019	5,912
		3,890,960	3,902,938
Current assets			
Accounts receivable, net	14	1,090,468	1,130,410
Other current assets	15	266,304	284,150
Restricted cash, margins and fixed deposits	16	8,021	9,488
Cash and cash equivalents	16	567,189	758,954
		1,931,982	2,183,002
Assets held for sale		4,898	6,569
TOTAL ASSETS		5,827,840	6,092,509
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,464,100	1,464,100
Statutory reserve	18	500,814	471,734
Foreign currency translation reserve	18	(560,017)	(529,432)
Reserve arising from acquisition of non-controlling interests	18	(336,986)	(329,908)
Reserve arising from other comprehensive income items	18	(12,015)	(11,804)
Retained earnings		1,405,470	1,444,833
Equity attributable to equity holders of the Parent		2,461,366	2,509,523
Non-controlling interests	9	6,554	8,865
Total equity		2,467,920	2,518,388
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	20	1,067,335	1,086,304
Lease liabilities	6	771,906	757,036
Employees' end of service benefits	21	169,968	164,136
Deferred tax liabilities	13	36,198	30,828
Other non-current liabilities	25	13,002	15,960
		2,058,409	2,054,264
Current liabilities			
Accounts payable	22	326,364	324,776
Lease liabilities	6	176,680	181,687
Bank overdrafts	23	2,848	131,353
Interest-bearing loans and borrowings	20	48,505	38,865
Income tax provision	13	36,676	46,038
Provisions	24	47,674	71,380
Other current liabilities	25	659,839	720,851
		1,298,586	1,514,950
Liabilities held for sale		2,925	4,907
Total liabilities		3,359,920	3,574,121
TOTAL EQUITY AND LIABILITIES		5,827,840	6,092,509

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 2023.

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

	Note	For the year ended 31 December 2023 AED'000	2022 AED'000
Continuing operations			
Rendering of services	26	5,694,022	5,926,005
Cost of services	27	(4,267,093)	(4,501,701)
Gross profit		1,426,929	1,424,304
Selling and marketing expenses		(308,453)	(257,637)
Net impairment loss on accounts receivable	14	(19,812)	(17,532)
Net impairment (loss)/reversal on restricted cash	16	(227)	1,434
Administrative expenses	28	(845,128)	(907,648)
Other income, net	29	13,352	2,409
Operating profit		266,661	245,330
Finance income		8,367	4,933
Finance expense		(128,152)	(72,773)
Share of results of joint ventures and associates	10,11	5,572	9,203
Profit before tax from continuing operations		152,448	186,693
Income tax expense	13	(22,713)	(25,674)
Profit for the year from continuing operations		129,735	161,019
Discontinued operations			
(Loss)/profit after tax for the year from discontinued operations		(1,329)	852
Gain on sale of a subsidiary		-	3,515
Profit for the year		128,406	165,386
Attributable to:			
Equity holders of the Parent			
Profit for the year from continuing operations		130,626	161,012
(Loss)/profit for the year from discontinued operations		(1,329)	4,367
		129,297	165,379
Non–controlling interests			
(Loss)/profit for the year from continuing operations		(891)	7
		128,406	165,386
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share from continuing operations (AED)	32	0.089	0.110
Basic and diluted earnings per share from discontinued operations (AED)	32	(0.001)	0.003
Total basic and diluted earnings per share (AED)	32	0.088	0.113

	Note	For the year ended 31 December 2023 AED'000	2022 AED'000
Profit for the year		128,406	165,386
Other comprehensive loss, net of tax:			
Other comprehensive income/(loss) items that may be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(34,376)	(139,259)
Impact of hyperinflation		9,420	4,398
(Loss)/gain on debt instruments at fair value through other comprehensive income		(92)	32
		(25,048)	(134,829)
Other comprehensive (loss)/income items not to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Remeasurements of post-employment benefits obligations through other comprehensive income	21	(119)	172
		(119)	172
Other comprehensive loss for the year, net of tax		(25,167)	(134,657)
Total comprehensive income for the year		103,239	30,729
Attributable to:			
Equity holders of the Parent		104,986	32,070
Non-controlling interests		(1,747)	(1,341)
		103,239	30,729
Total comprehensive income attributable to equity holders of the Parent arises from:			
Continuing operations		106,315	27,703
Discontinued operations		(1,329)	4,367
		104,986	32,070

	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 2023									
At 31 December 2022	1,464,100	471,734	(529,432)	(329,908)	(11,804)	1,444,833	2,509,523	8,865	2,518,388
Impact of hyperinflation (Note 4)	-	-	(6,485)	-	-	-	(6,485)	-	(6,485)
At 1 January 2023 (adjusted)	1,464,100	471,734	(535,917)	(329,908)	(11,804)	1,444,833	2,503,038	8,865	2,511,903
Profit for the year	-	-	-	-	-	129,297	129,297	(891)	128,406
Other comprehensive loss	-	-	(24,100)	-	(211)		(24,311)	(856)	(25,167)
Total comprehensive (loss)/income for the year	-	-	(24,100)	-	(211)	129,297	104,986	(1,747)	103,239
Non-controlling interests	-	-	-	(7,078)	-	-	(7,078)	(564)	(7,642)
Dividends to shareholders (Note 19)	-	-	-	-	-	(139,580)	(139,580)	-	(139,580)
Transfer to statutory reserve (Note 18)	-	29,080	-	-	-	(29,080)	-	-	-
At 31 December 2023	1,464,100	500,814	(560,017)	(336,986)	(12,015)	1,405,470	2,461,366	6,554	2,467,920

	Attributable to equity holders of the Parent								
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Reserve arising from acquisition of non-controlling interests AED'000	Reserve arising from other comprehensive income items AED'000	Retained earnings AED'000	Equity attributable to equity holders of the Parent AED'000	Non-controlling interests AED'000	Equity AED'000
For the year ended 31 December 2022									
At 31 December 2021	1,464,100	440,802	(398,529)	(329,759)	(12,008)	1,500,570	2,665,176	10,817	2,675,993
Impact of hyperinflation (Note 4)	-	-	2,610	-	-	-	2,610	-	2,610
At 1 January 2022 (adjusted)	1,464,100	440,802	(395,919)	(329,759)	(12,008)	1,500,570	2,667,786	10,817	2,678,603
Profit for the year	-	-	-	-	-	165,379	165,379	7	165,386
Other comprehensive (loss)/income	-	-	(133,513)	-	204	-	(133,309)	(1,348)	(134,657)
Total comprehensive (loss)/income for the year	-	-	(133,513)	-	204	165,379	32,070	(1,341)	30,729
Transfer of gain on non-controlling interests on disposal of a subsidiary to retained earnings	-	-	-	(149)	-	149	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	(611)	(611)
Dividends to shareholders (Note 19)	-	-	-	-	-	(190,333)	(190,333)	-	(190,333)
Transfer to statutory reserve (Note 18)	-	30,932	-	-	-	(30,932)	-	-	-
At 31 December 2022	1,464,100	471,734	(529,432)	(329,908)	(11,804)	1,444,833	2,509,523	8,865	2,518,388

The notes on pages 16 to 72 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 2023

	Note	For the year ended 31 December 2023 AED'000	2022 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		152,448	186,693
(Loss)/profit before tax from discontinued operations		(1,450)	4,468
Profit before tax		150,998	191,161
Adjustments for:			
Depreciation of property and equipment		113,622	116,718
Depreciation of right of use assets		235,852	248,908
Amortisation of other intangible assets	8	13,563	5,008
Loss on disposal of property and equipment		1,160	12,143
Provision for employees' end of service benefits	21	33,758	35,066
Net impairment loss on financial assets		20,158	15,493
Finance costs, net		70,389	21,497
Finance costs – lease liabilities		49,582	46,505
Gain on sale of a subsidiary		-	(3,515)
Gain on disposal of right of use assets and lease liabilities		(1,247)	(754)
Gain on reversal of provision for property and customer goods		-	(1,291)
Share of results of joint ventures and associates	10,11	(5,572)	(9,203)
		682,263	677,736
Working capital adjustments:			
Accounts receivable		19,735	80,057
Accounts payable		2,962	(26,068)
Other current assets		(30,453)	17,702
Provisions		(22,567)	(13,628)
Other current liabilities		(80,511)	(87,801)
Other non-current liabilities		(2,958)	(2,345)
Net cash flows generated from operating activities before employees' end of service benefits and income tax paid		568,471	645,653
Employees' end of service benefits paid	21	(25,997)	(20,417)
Income tax paid	13	(34,357)	(58,782)
Net cash flows generated from operating activities		508,117	566,454
INVESTING ACTIVITIES			
Purchase of property and equipment		(128,013)	(79,141)
Payment for acquisition of a subsidiary, net of cash acquired	35	-	(943,033)
Proceeds from escrow account	35	11,287	-
Proceeds from disposal of property and equipment		5,157	3,579
Interest received		8,367	4,933
Proceeds from sale of a subsidiary		36,082	16,450
Dividends from joint ventures		5,731	18,209
Other non-current assets		(1,107)	(2,185)
Restricted cash	16	(141)	3,968
Margin deposits		863	355
Fixed deposits		915	45,264
Net cash flows used in investing activities		(60,859)	(931,601)

	Note	For the year ended 31 December 2023 AED'000	2022 AED'000
FINANCING ACTIVITIES			
Finance costs paid		(109,031)	(60,187)
Proceeds from loans and borrowings		34,636	996,034
Repayment of loans and borrowings		(56,540)	(24,791)
Principal elements of lease payments		(226,275)	(241,039)
Dividends paid to non-controlling interests		(2)	(223)
Dividends paid to shareholders		(139,580)	(190,333)
Acquisition of non-controlling interest		(7,639)	-
Net cash flows (used in)/generated from financing activities		(504,431)	479,461
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (net of bank overdrafts)		(57,173)	114,314
Net foreign exchange difference		(6,087)	(45,400)
Cash and cash equivalents at 1 January (net of bank overdrafts)		627,601	558,687
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (net of bank overdrafts)	16	564,341	627,601

Non-cash transactions:

Non-cash transactions are disclosed in Note 37.

1 General information

Aramex PJSC (the “Parent Company” or “Company”) was established as a Public Joint Stock Company on 15 February 2005 and is registered in the Emirate of Dubai, United Arab Emirates under the Federal Decree Law No. (32) of 2021. The consolidated financial statements of the Company as at 31 December 2023 comprise the Parent Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

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

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

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

As at 31 December 2023, the major shareholders of Aramex PJSC are GeoPost, the express parcel arm of French Groupe La Poste and Abu Dhabi Ports Company PJSC (“ADP”), a subsidiary of Abu Dhabi Developmental Holding Company (“ADQ”) which own 28% and 22.32% of Aramex PJSC’s issued share capital, respectively.

The consolidated financial statements were authorised for issue by the Board of Directors on 8 February 2024.

2 Material accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards;
- IAS Standards; and
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB), and applicable requirements of UAE Federal Decree Law No. (32) of 2021.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those audited annual consolidated financial statements for the year ended 31 December 2022, except when otherwise indicated.

The consolidated financial statements are presented in UAE Dirhams (AED), being the functional currency of the Parent Company 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 at the present value of future obligations using the Projected Unit Credit Method and assets held for sale which are measured at the lower of carrying amount and fair value less costs to sell. The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

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

2 Material accounting policies (continued)

2.2 Changes in accounting policies

New and revised IFRS accounting standards 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 2023, have been adopted in these consolidated financial statements. The application of these revised IFRS, except where stated, have not had any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(a) **IFRS 17, 'Insurance contracts' –** This standard replaced IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by all entities that issue insurance contracts.

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

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

(d) **Amendment to IAS 12 - International tax reform -** These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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

(a) **Amendment to IFRS 16 – Leases on sale and leaseback (effective 1 January 2024) –** These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

(b) **Amendment to IAS 1 – Non-current liabilities with covenants (effective 1 January 2024**) - These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

(c) **Amendment to IAS 7 and IFRS 7 – Supplier finance (effective 1 January 2024) –** These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

(d) **Amendments to IAS 21 - Lack of Exchangeability (effective 1 January 2025)** - An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

2 Material accounting policies (continued)

2.2 Changes in accounting policies (continued)

New and revised sustainability disclosure standards issued but not yet effective and not early adopted

(a) **IFRS S1, 'General requirements for disclosure of sustainability-related financial information (effective 1 January 2024, subject to endorsement by local jurisdictions) -** This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

(b) **IFRS S2, 'Climate-related disclosures' (effective 1 January 2024, subject to endorsement by local jurisdictions) -** This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

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

<u>Subsidiaries</u>

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at 31 December 2023 and 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group:

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

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

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

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

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

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

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

<u>Changes in the Group's ownership interest in existing subsidiaries</u>

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.

2 Material accounting policies (continued)

2.3 Basis of consolidation (continued)

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

2.4 Property and equipment

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

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

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

Depreciation relating to the property and equipment of Aramex Lebanon S.A.L. and Aramex International Hava Kargo ve Keye Anonim Sirketyi are based on restated amounts, which have been adjusted for the effects of hyperinflation.

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

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

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

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

2 Material accounting policies (continued)

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 profit or loss as a bargain purchase.

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

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

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

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

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

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

2.6 Other intangible assets

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

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

2 Material accounting policies (continued)

2.6 Other intangible assets (continued)

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

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

Customer lists and other intangible assets with definite useful life	10-30 years
Other intangible assets	7 years
Brand	20 years

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

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

2.7 Investments in associates and joint arrangements

(i) Associates

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

(ii) Joint arrangements

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

Joint ventures

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

(iii) Equity method

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

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

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

2 Material accounting policies (continued)

2.7 Investments in associates and joint arrangements (continued)

(iii) Equity method (continued)

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

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

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

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

2.8 Prepaid agency fees

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

2.9 Impairment of non-financial assets

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

Disclosures for significant assumptions	Note 4
Goodwill	Note 7
Other intangible assets	Note 8

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

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

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

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

2 Material accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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

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

2.11 Cash and cash equivalents

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

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

2.12 Accounts receivable

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

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

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

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

2 Material accounting policies (continued)

2.13 Financial assets

Financial assets are classified as follows:

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

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

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

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

(a) Classification

(i) Investments at fair value through other comprehensive income

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

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

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

(ii) Financial assets at amortised cost

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

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

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

(b) Initial recognition and subsequent measurement

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

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

(i) Debt instruments

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

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

2 Material accounting policies (continued)

2.13 Financial assets (continued)

(b) Initial recognition and subsequent measurement (continued)

(i) Debt instruments (continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in other income.

Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

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

(ii) Equity instruments

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

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

(c) Derecognition of financial assets

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

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

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

2.14 Impairment and un-collectability of financial assets

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

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

2 Material accounting policies (continued)

2.15 Loans, borrowings and other financial liabilities

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

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

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

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

2.16 Accounts payable and accruals

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

2.17 Provisions

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

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

2.18 Employees' end of service benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

In some countries, the Group also has liabilities for long service end of service benefits that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method.

2 Material accounting policies (continued)

2.18 Employees' end of service benefits (continued)

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

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the consolidated statement of profit or loss.

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

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

2.19 Financial liabilities

Initial recognition and measurement

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

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

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

(a) Subsequent measurement

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

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

(b) Derecognition

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

2.20 Social security

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

2 Material accounting policies (continued)

2.21 Revenue recognition

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

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

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

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

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

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

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

Express and shop 'n' ship services revenue

The Group provides courier and express to businesses and private customers. Delivery occurs when the packages have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the end user, and either the end user has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. It is therefore accounted for as a single performance obligation satisfied over time and revenue is recognised over the performance period.

Freight forwarding revenue

The Group provides transportation services to businesses and private customers. Delivery occurs when the packages have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the end user, and either the end user has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. It is therefore accounted for as a single performance obligation satisfied over time and revenue is recognised over the performance period.

Revenue from logistics services

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

2 Material accounting policies (continued)

2.21 Revenue recognition (continued)

Revenue from logistics services (continued)

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

2.22 Interest income

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

2.23 Borrowing costs

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

2.24 Taxes

Current income tax

The Group provides for income taxes in accordance with IAS 12. As the Parent Company is incorporated in the UAE, profits from operations of the Parent Company are not subject to current income taxation. However, certain subsidiaries of the Parent Company are based in taxable jurisdictions and are therefore liable to tax. Income tax on the profit or loss for the year comprises of current and deferred tax on the profits of these subsidiaries. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax is determined using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Management periodically evaluates position taken in the tax returns with respect to situation in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

Deferred tax

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

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

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

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

2 Material accounting policies (continued)

2.24 Taxes (continued)

Deferred tax (continued)

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

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

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

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

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

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

Sales tax

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

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

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

2.25 Leases

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

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

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

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

2 Material accounting policies (continued)

2.25 Leases (continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

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

2 Material accounting policies (continued)

2.26 Cash dividend

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

2.27 Earnings per share

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

2.28 Discontinued operations

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

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

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

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

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

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

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

All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

2.29 Offsetting financial instruments

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

2 Material accounting policies (continued)

2.30 Fair value of financial instruments

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

2.31 Amortised cost of financial instruments

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

2.32 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

2.33 Foreign currencies

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

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

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

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

2 Material accounting policies (continued)

2.33 Foreign currencies (continued)

Transactions and balances

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

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

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

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

Group companies

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

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

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

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

Management performed an assessment to identify the most appropriate rate to be used for the translation of foreign operations in Lebanon for the year ended 31 December 2023.

2.34 Hyperinflation

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

2 Material accounting policies (continued)

2.34 Hyperinflation (continued)

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

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

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

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

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

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

The Lebanese and Turkish economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group’s subsidiaries; Aramex Lebanon S.A.L. and Aramex International Hava Kargo ve Keye Anonim Sirketyi have been expressed in terms of the measuring unit current at the reporting date. Impact of applying IAS 29 for the years ended 31 December 2023 and 31 December 2022 has been disclosed in each impacted financial statement line item note.

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign currency risk

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

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

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

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

	Changes in currency rate to AED %	Effect on profit before tax AED'000
2023		
EUR	+10	(670)
INR	+10	402
GBP	+10	2,552
EGP	+10	(88)
TRY	+10	(4,448)
ZAR	+10	(398)
2022		
EUR	+10	(862)
INR	+10	98
GBP	+10	3,387
EGP	+10	(210)
TRY	+10	(195)
ZAR	+10	(33)

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

(ii) Price risk

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

(iii) Interest rate risk

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(iii) Interest rate risk (continued)

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

	2023 AED‘000	2022 AED‘000
Variable rate instruments		
+100 bps	(11,187)	(12,565)
- 100 bps	11,187	12,565

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

(b) *Credit risk*

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

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

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

Risk management

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

The Group trades only with recognised, creditworthy third parties in addition to establishing credit limits for customers’ balances. Receivable balances and credit limits are monitored on an ongoing basis with the result of discontinuing the service for customers exceeding certain limits for a certain period of time. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 66% percent of the Group’s Accounts receivable are based in Middle East and Africa. Credit risks limited to the carrying values of financial assets in the consolidated statement of financial position.

Aramex is exposed to risk of loss from climate changes and is implementing processes aimed at monitoring and mitigating those risks, including commissioning across the Group and introducing electric vehicles as part of the “Green Mobility” initiative. Further, sustainability is integrated into its operations at all levels to respond to the dynamic changes occurring globally, regionally, and locally.

At 31 December 2023, the Group had 5 customers (2022: 5 customers) that accounted for approximately 32% (2022: 29%) of all the receivables outstanding.

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets

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

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

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

Significant increase in credit risk

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

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

Definition of default

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

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

Irrespective of the above analysis, the Group considers that potential default may occur when a financial asset is more than 365 days after invoice issuance date.

Accounts receivable

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

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

The expected loss rates are based on the roll rates of receivables over a period of 12 quarters before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current factors affecting the ability of the customers to settle the receivables.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

Accounts receivable (continued)

On that basis, the impairment loss as at 31 December 2023 and 31 December 2022 was determined as follows for accounts receivable:

31 December 2023	Between current – 90 days past due	Between 90 – 180 days past due	Between 180 – 270 days past due	Between 270 – 365 days past due	More than 365 days past due	Total
Expected loss rate	1%	11%	30%	66%	100%	8%
Gross carrying amount – Accounts receivable in AED’000	998,407	81,250	33,640	15,312	56,324	1,184,933
Expected credit loss in AED’000	8,984	8,939	10,158	10,060	56,324	94,465
Carrying amount in AED’000	989,423	72,311	23,482	5,252	-	1,090,468

31 December 2022	Between current – 90 days past due	Between 90 – 180 days past due	Between 180 – 270 days past due	Between 270 – 365 days past due	More than 365 days past due	Total
Expected loss rate	1%	11%	49%	59%	100%	8%
Gross carrying amount – Accounts receivable in AED’000	1,053,386	82,002	20,879	14,159	55,905	1,226,331
Expected credit loss in AED’000	12,494	8,977	10,223	8,322	55,905	95,921
Carrying amount in AED’000	1,040,892	73,025	10,656	5,837	-	1,130,410

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

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

Debt investments carried at FVOCI

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Restricted cash, margins and fixed deposits

During the year ended 31 December 2023 the impairment loss on restricted cash amounted to AED 227 thousand (2022: reversal of AED 1,434 thousand) due to the economic situation in Lebanon as detailed in Note 16.

(c) Liquidity risk

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

The management is confident that the current assets are sufficient to cover the current liabilities of the Group. The Group has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 reporting periods (Note 20).

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

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

31 December 2023	Less than 3 months AED'000	Between 3 – 12 months AED'000	Between 1 and 2 years AED'000	Between 2 and 5 years AED'000	Over 5 years AED'000	Total contractual cash flows AED'000	Carrying amount AED'000
Interest-bearing loans and borrowings	58,378	64,679	19,591	644,475	411,068	1,198,191	1,115,840
Lease liabilities	79,600	141,442	169,267	308,127	587,749	1,286,185	948,586
Bank overdrafts	3,032	-	-	-	-	3,032	2,848
Accounts payable, income tax provision, provisions, and other non-current and current liabilities (excluding deferred revenue and deferred income)	1,055,249	-	-	-	-	1,055,249	1,055,249
	1,196,259	206,121	188,858	952,602	998,817	3,542,657	3,122,523

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

3 Financial risk management (continued)

3.2 Capital risk management

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

The capital structure of the Group consists of net debt (interest-bearing loans and borrowings disclosed in note 20 after deducting cash and bank balances) and equity of the Group (comprising share capital, statutory reserve and retained earnings).

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

The gearing ratios at 31 December 2023 and 2022 was as follows:

	2023 AED'000	2022 AED'000
Interest-bearing loans and borrowings (excluding bank overdraft) (Note 20)	1,115,840	1,125,169
Less: Cash and cash equivalents (Note 16)	(564,341)	(627,601)
Net debt	551,499	497,568
Equity (comprising share capital, statutory reserve and retained earnings)	3,370,384	3,880,667
Capital	3,921,883	4,378,235
Gearing ratio	14%	11%

Loan covenants

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

3.3 Fair value estimation

Fair values of financial instruments

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

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

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

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

During the year ended 31 December 2023 and 2022, 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 2023, items measured at fair value have been measured at level 3 valuation techniques for an amount of AED 17,574 (2022: AED 17,667 thousand), the movement in level 3 is disclosed in Note 12.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

Fair values of financial instruments (continued)

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 2023, the Group utilised the same approach as the prior year to obtain the recent transaction price as a fair value measurement of the investment.

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

4 Key estimates and judgments

Provision for expected credit losses of accounts receivable

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

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

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

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

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

Useful lives of property and equipment

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

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

	Changes in useful lives %	Effect on profit before tax AED '000
Leasehold improvements	+10	(1,410)
Buildings	+10	(1,623)
Furniture and fixtures	+10	(605)
Warehousing racks	+10	(521)
Office equipment	+10	(2,488)
Computers	+10	(3,810)
Vehicles	+10	(878)

4 Key estimates and judgments (continued)

Hyperinflation

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

Various characteristics of the economic environment of each country are taken into account.

These characteristics include, but are not limited to, whether:

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

Management exercises judgement as to when a restatement of the consolidated financial statements of a group entity becomes necessary. Following management's assessment, the group's subsidiaries Aramex Lebanon S.A.L. and Aramex International Hava Kargo Ve Kerye Anonim Sirketi have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of Aramex Lebanon S.A.L. and Aramex International Hava Kargo Ve Kerye Anonim Sirketi have been expressed in terms of the measuring units current at the reporting date.

Aramex Lebanon S.A.L.

The economy of Lebanon was assessed to be hyperinflationary during 2020, and hyperinflation accounting has been applied since. Upon application of hyperinflation, net prior period losses of AED 9,660 were recognised directly in equity during 2023 (2022: losses of AED 4,757 thousand were recognised directly in equity during 2022).

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

	Base year	General price index	Inflation rate (%)
31 December 2023*	2023	1.44	2,005
31 December 2022	2022	1.56	1,670
31 December 2021	2021	2.04	753

* The cumulative inflation rate over three years as at 31 December 2023 is 2,005% (2022: 1,670%). The average adjustment factor used for 2023 was 1.44 (2022: 1.56).

Aramex International Hava Kargo Ve Kerye Anonim Sirketi

The economy of Turkey was assessed to be hyperinflationary during 2023, and hyperinflation accounting has been applied since. Upon application of hyperinflation, net prior period gain of AED 3,174 thousand were recognised directly in equity during 2023.

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

	Base year	General price index	Inflation rate (%)
31 December 2023	2023	1.28	268
31 December 2022	2022	1.18	156
31 December 2021	2021	1.23	74

* The cumulative inflation rate over three years as at 31 December 2023 is 268% (2022: 156%). The average adjustment factor used for 2023 was 1.28 (2022: 1.18).

4 Key estimates and judgments (continued)

Goodwill impairment

The impairment test is based on the “value in use” calculation. These calculations have used cash flow projections based on actual operating results and future expected performance, refer to Note 7 for the additional key assumptions used in calculating the goodwill impairment.

Provision for tax

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

End of service benefits

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

The mortality rate is based on publicly available mortality tables for the related countries. Future salary increases are based on expected future inflation rates for the respective country, refer to Note 21 for the actuarial assumptions and sensitivity.

Intangible assets with indefinite lives

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable, refer to Note 8 for the additional key assumptions used in calculating the impairment of the intangible assets with indefinite lives.

Lease extension, termination options and incremental borrowing rate

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2023, 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 on the Group entities credit portfolio by making adjustments specific to the lease, (i.e., term, country, currency and security) as the IBR for discounting future lease payments.

5 Property and equipment

	Land	*Leasehold improvements*	*Buildings*	*Furniture and fixtures*	*Warehousing racks*	*Office equipment*	*Computers*	*Vehicles*	*Capital work in progress*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2023										
Cost:										
At 1 January 2023	76,592	136,198	516,520	56,122	75,966	271,478	373,235	84,216	14,404	1,604,731
Additions	4,828	16,429	18,005	3,727	5,855	32,990	24,968	12,769	8,442	128,013
Transfers	-	38	-	-	3,122	6,694	2,934	597	(13,385)	-
Disposals	(27)	(21,091)	-	(6,424)	(3,674)	(18,084)	(38,210)	(6,962)	-	(94,472)
Reclassification	-	395	-	(3,685)	-	3,308	(18)	-	-	-
Impact of hyperinflation	-	1,601	509	197	370	1,145	631	1,794	-	6,247
Exchange differences	(2,116)	(1,257)	(2,907)	(869)	(1,635)	(3,105)	(1,483)	(4,759)	-	(18,131)
At 31 December 2023	79,277	132,313	532,127	49,068	80,004	294,426	362,057	87,655	9,461	1,626,388
Depreciation:										
At 1 January 2023	-	79,028	125,538	30,108	29,392	145,771	252,673	58,524	-	721,034
Charge for the year	-	14,101	16,229	6,054	5,214	24,876	38,096	8,776	-	113,346
Disposals	-	(17,814)	(10)	(5,906)	(3,154)	(17,171)	(36,868)	(6,092)	-	(87,015)
Impact of hyperinflation	-	1,930	509	161	239	614	488	1,178	-	5,119
Exchange differences	-	(753)	(853)	(513)	(495)	(1,173)	(645)	(2,806)	-	(7,238)
At 31 December 2023	-	76,492	141,413	29,904	31,196	152,917	253,744	59,580	-	745,246
Net book value:										
At 31 December 2023	79,277	55,821	390,714	19,164	48,808	141,509	108,313	28,075	9,461	881,142

5 Property and equipment (continued)

	Land	*Leasehold improvements*	*Buildings*	*Furniture and fixtures*	*Warehousing racks*	*Office equipment*	*Computers*	*Vehicles*	*Capital work in progress*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2022										
Cost:										
At 1 January 2022	84,156	139,017	525,761	49,447	72,957	262,176	364,325	84,688	33,647	1,616,174
Acquisition of a subsidiary (Note 35)	-	1,967	-	11,281	-	-	3,623	-	8,268	25,139
Additions	-	7,908	1,253	3,304	6,575	18,733	17,875	11,120	12,373	79,141
Transfers	-	6,232	-	-	4,794	8,904	13,513	-	(33,443)	-
Disposals	-	(13,825)	-	(5,822)	(2,378)	(7,663)	(16,278)	(6,769)	(6,441)	(59,176)
Reclassification	-	-	-	-	(6)	6	-	-	-	-
Impact of hyperinflation	-	1,346	472	34	338	617	801	2,130	-	5,738
Exchange differences	(7,564)	(6,447)	(10,966)	(2,122)	(6,314)	(11,295)	(10,624)	(6,953)	-	(62,285)
At 31 December 2022	76,592	136,198	516,520	56,122	75,966	271,478	373,235	84,216	14,404	1,604,731
Depreciation:										
At 1 January 2022	-	79,398	113,924	31,837	27,768	134,329	228,908	58,580	-	674,744
Charge for the year	-	15,037	14,650	4,919	5,728	24,234	42,687	9,166	-	116,421
Disposals	-	(12,865)	-	(5,324)	(2,064)	(6,406)	(11,027)	(5,768)	-	(43,454)
Impact of hyperinflation	-	1,159	472	21	170	315	730	1,839	-	4,706
Exchange differences	-	(3,701)	(3,508)	(1,345)	(2,210)	(6,701)	(8,625)	(5,293)	-	(31,383)
At 31 December 2022	-	79,028	125,538	30,108	29,392	145,771	252,673	58,524	-	721,034
Net book value:										
At 31 December 2022	76,592	57,170	390,982	26,014	46,574	125,707	120,562	25,692	14,404	883,697

5 Property and equipment (continued)

Depreciation charge for the year is allocated as follows:

	2023 AED'000	2022 AED'000
Administrative expense (Note 28)	75,605	78,908
Cost of services (Note 27)	37,741	37,513
	113,346	116,421

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 2022	174,762	848,455	6,840	235,574	1,265,631
Additions	13,406	250,637	1,535	60,109	325,687
Reclassification	-	-	507	(507)	-
Disposals	(1,193)	(192,317)	(3,955)	(70,190)	(267,655)
Exchange differences	(291)	(43,117)	(480)	(10,945)	(54,833)
Impact of hyperinflation	-	7,699	-	(38)	7,661
At 31 December 2022	186,684	871,357	4,447	214,003	1,276,491
Additions	3,423	197,553	2,993	44,368	248,337
Disposals	(589)	(67,523)	(2,084)	(48,584)	(118,780)
Exchange differences	(100)	(5,475)	18	(3,214)	(8,771)
Impact of hyperinflation	-	9,327	-	328	9,655
At 31 December 2023	189,418	1,005,239	5,374	206,901	1,406,932
Accumulated depreciation:					
At 1 January 2022	17,197	248,587	4,498	101,083	371,365
Charge for the year	7,502	171,099	1,936	66,707	247,244
Disposals	(1,183)	(122,132)	(3,854)	(58,255)	(185,424)
Exchange rate difference	(116)	(17,027)	(364)	(4,537)	(22,044)
Impact of hyperinflation	-	4,914	-	(88)	4,826
At 31 December 2022	23,400	285,441	2,216	104,910	415,967
Charge for the year	6,538	170,903	977	55,745	234,163
Disposals	(589)	(60,265)	(1,738)	(43,588)	(106,180)
Exchange rate difference	(49)	(3,137)	30	(1,799)	(4,955)
Impact of hyperinflation	-	4,009	-	(54)	3,955
At 31 December 2023	29,300	396,951	1,485	115,214	542,950
Net book value:					
At 31 December 2023	160,118	608,288	3,889	91,687	863,982
At 31 December 2022	163,284	585,916	2,231	109,093	860,524

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

	2023 AED'000	2022 AED'000
Depreciation charge of right of use assets		
Administrative expense (Note 28)	51,157	68,344
Cost of services (Note 27)	183,006	178,900
	234,163	247,244
Finance costs – lease liabilities	49,395	46,343
Expense relating to short-term and low-value leases (included in cost of services)	3,669	2,171
Expense relating to short-term and low-value leases (included in administrative expenses)	3,310	2,551

6 Leases (continued)

Right of use assets (continued)

The total cash outflow for leases in 2023 was AED 226,275 thousand (2022: AED 241,039 thousand).

Lease liabilities

	Future minimum lease payments AED'000	*Interest AED'000*	*Present value of minimum lease payments AED'000*
2023			
Within one year	221,042	44,362	176,680
After one year	1,065,143	293,237	771,906
Total	1,286,185	337,599	948,586
2022			
Within one year	218,858	37,171	181,687
After one year	1,042,640	285,604	757,036
Total	1,261,498	322,775	938,723

Lease liabilities measured at present value were unwound during the year ended 31 December 2023 for an amount of AED 49,395 thousand (2022: AED 46,343 thousand) where a portion amounting to AED 1,412 thousand was unpaid as of 31 December 2023 (2022: AED 184 thousand).

7 Goodwill

	2023 AED'000	2022 AED'000
At 1 January	1,757,680	1,002,568
Acquisitions*	-	790,077
Measurement period adjustment**	(949)	-
Exchange differences	(6,540)	(34,965)
At 31 December	1,750,191	1,757,680

* On 1 June 2022, the Group entered into an acquisition agreement through a Sale and Purchase Agreement (SPA) to acquire 100% equity securities of "Access Shipping LLC"; a cross-border e-commerce platform, providing cost-effective package forwarding solutions to customers. The excess between the provisional fair value of the groups of assets acquired and the consideration paid amounted to AED 790,077 thousand which was recognised as goodwill (Note 35).

** The allocation of the purchase price has been modified during the measurement period, as more information was obtained about the fair value of assets acquired and liabilities assumed. The net impact on Goodwill was a decrease of AED 949 thousand (total net identifiable assets at fair value increased by AED 4,567 thousand while the total final consideration increased by AED 3,618 thousand upon the final collection of the escrow account).

The Group performed its annual impairment test on 31 December 2023 and 2022. The Group considers the relationship between its market capitalisation and its book value among other factors, when reviewing for indicators of impairment.

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.

7 Goodwill (continued)

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

	2023 AED'000	2022 AED'000
Publication and distribution	6,212	6,212
Aramex: *		
Express shipping**	1,049,463	1,051,604
Domestic shipping	460,395	464,533
Freight forwarding	161,908	162,745
Logistics	72,213	72,586
	1,750,191	1,757,680

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

** As at 31 December 2022, MyUS goodwill of AED 790,077 thousand was disclosed as a separate line within the corresponding disclosure in the prior year consolidated financial statements.

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

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

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

Discount rates for the main cash generating units – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC for the industry is 10% (2022: 9.5%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates for the main cash generating units – Growth rate used of 3.1% (2022: 3.2%) are based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory of Aramex and MyUS cash generating units, respectively.

Sensitivity to changes in assumptions

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

8 Other intangible assets

	Customer lists and other intangible assets with definite useful life AED'000	*Franchises with indefinite useful life* AED'000*	*Other intangible assets AED'000*	*Brand AED'000*	Total *AED'000*
Cost:					
At 1 January 2022	56,760	184,099	6,856	-	247,715
Acquisition of a subsidiary (Note 35)	60,451	-	42,789	37,963	141,203
Exchange differences	-	(13,088)	-	-	(13,088)
At 31 December 2022	117,211	171,011	49,645	37,963	375,830
Exchange differences	-	(864)	-	-	(864)
At 31 December 2023	117,211	170,147	49,645	37,963	374,966
Amortisation and impairment:					
At 1 January 2022	39,604	-	6,856	-	46,460
Amortisation	3,340	-	1,273	395	5,008
At 31 December 2022	42,944	-	8,129	395	51,468
Amortisation	5,552	-	6,113	1,898	13,563
At 31 December 2023	48,496	-	14,242	2,293	65,031
Net book value:					
At 31 December 2023	68,715	170,147	35,403	35,670	309,935
At 31 December 2022	74,267	171,011	41,516	37,568	324,362

* Intangible assets acquired through a business combination. These assets have indefinite useful lives and are tested for impairment annually as they represent an operational system used by the Group entities which is considered to have indefinite useful life. The Group intends to renew the franchise continuously and evidence supports its ability to do so. An analysis of market and competitive trends provides evidence that the franchise will generate net cash inflows for the Group for an indefinite period. Therefore, the franchise is carried at cost without amortisation, but is tested for impairment annually.

The Group performed its annual impairment test on 31 December 2023 and 2022. 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 2023, the market capitalisation of the Group was above the book value of its equity. The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections from financial forecast approved by board of directors covering a five-year period.

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

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

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

8 Other intangible assets (continued)

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

Growth rate estimates – Growth rate used of 2.4% (2022: 2.3%) is based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory.

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry of 9.2% to 9.9% (2022: 9.5% to 9.8%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

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 2023 and 2022, there were no subsidiaries with material non-controlling interest to the Group.

10 Investments in joint ventures

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

	Ownership percentage		*Country of incorporation*	*Nature of activity*	*Book value*	
	2023 %	2022 %			2023 AED'000	2022 AED'000
Aramex Sinotrans Co. LTD	50	50	China	Express, freight and logistics services	18,920	20,564
Aramex Logistics LLC	50	50	Oman	Logistics	12,109	-
					31,029	20,564

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:

	2023		
	Aramex Sinotrans Co. LTD AED'000	*Aramex Logistics LLC* AED'000	*Total* AED'000
Non-current assets	7,218	26,554	33,772
Current assets*	81,788	8,355	90,143
Non-current liabilities	(1,158)	(9,203)	(10,361)
Current liabilities**	(50,009)	(1,488)	(51,497)
Equity	37,839	24,218	62,057
Proportion of the Group's ownership	50%	50%	50%
Carrying amount of the investment	18,920	12,109	31,029

10 Investments in joint ventures (continued)

* The current assets of Aramex Sinotrans Co. Ltd include cash at banks amounted to AED 22,306 thousand, accounts receivable amounted to AED 45,911 thousand and other current assets amounted to AED 13,572 thousand.

** The current liabilities of Aramex Sinotrans Co. Ltd include, accruals amounted to AED 14,561 thousand, trade payables amounted to AED 23,459 thousand, other current liabilities amounted to AED 8,549 thousand, tax provisions amounted to AED 545 thousand and lease liability of AED 2,894 thousand.

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

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

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

Summarised statement of profit or loss of the joint ventures:

	2023		
	Aramex Sinotrans Co. LTD	*Aramex Logistics LLC*	*Total*
	AED'000	AED'000	AED'000
Revenue	254,978	13,513	268,491
Cost of sale	(218,733)	(8,728)	(227,461)
Administrative expenses	(19,487)	(2,493)	(21,980)
Other expenses	(4,345)	(614)	(4,959)
Profit before tax	12,413	1,678	14,091
Income tax	(3,044)	1,042	(2,002)
Profit for the year	9,369	2,720	12,089
Group's share of profit for the year	4,684	1,360	6,044

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

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2023 and 2022.

11 Investments in associates

The details of the investments in associates were as follows:

	Ownership percentage		*Country of incorporation*	*Nature of activity*	*Book value*	
	2023 %	2022 %			2023 AED'000	2022 AED'000
Linehaul Express Australia Pty Ltd	40	37.1	Australia	Domestic services	21	393
WS One Investment LLC	25	25	UAE	Express services	-	-
Aramex Thailand Ltd	49	49	Thailand	Logistics and transportation	3,957	4,004
					3,978	4,397

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

	2023			
	Linehaul Express Australia PTY Ltd AED'000	*WS One Investment LLC* AED'000	*Aramex Thailand Ltd* AED'000	*Total* AED'000
Non-current assets	1	2,267	1,193	3,461
Current assets	14,744	1,489	8,902	25,135
Non-current liabilities	-	-	(539)	(539)
Current liabilities	(14,691)	(3,756)	(1,480)	(19,927)
Equity	54	-	8,076	8,130
Proportion of the Group's ownership	40%	25%	49%	-
Group's share	21	-	3,957	3,978
Carrying amount of the investment	21	-	3,957	3,978

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

11 Investments in associates (continued)

	2023			
	Linehaul Express Australia PTY Ltd AED'000	*WS One Investment LLC* AED'000	*Aramex Thailand Ltd* AED'000	*Total* AED'000
Revenue	125,606	-	19,954	145,560
Cost of sale	(120,876)	-	(16,356)	(137,232)
Administrative expenses	(4,451)	-	(2,728)	(7,179)
Other expenses, net	(316)	-	(1,089)	(1,405)
Loss before tax	(37)	-	(219)	(256)
Income tax	(880)	-	3	(877)
Loss for the year	(917)	-	(216)	(1,133)
Group's share of loss for the year	(367)	-	(105)	(472)

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

The associates had no contingent liabilities or capital commitments as at 31 December 2023 and 2022.

12 Financial assets at fair value through other comprehensive income

At 31 December 2023, the Group designated investments disclosed in the following table as equity and debt securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

	Ownership percentage		*Country of incorporation*	*Nature of activity*	*Book value*	
	2023 %	2022 %			2023 AED'000	2022 AED'000
Unquoted equity financial assets						
What 3 Words Ltd	1.13	1.52	UK	Global addressing systems	15,241	15,241
Jamalon Inc.	7.49	7.49	British Virgin Islands	Online book retail	-	-
Gutechno Logistics Private Ltd	5.68	5.68	India	Local delivery solutions	-	-
Flirtey Tech Pty Ltd.	0.13	0.13	USA	Drone Technology	70	70
Unquoted debt financial assets						
Cell captive			South Africa	Insurance	1,161	1,254
Shippify Inc			USA	Food delivery	1,102	1,102
					17,574	17,667

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

For equity instruments at fair value through OCI, gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment. During 2023 and 2022, the Group invested in and disposed of certain shares and securities for strategic and commercial purposes as shown in the following table:

	2023 AED'000	2022 AED'000
As at 1 January	17,667	17,638
Gain from revaluation of debt instruments	(5)	111
Exchange differences	(88)	(82)
As at 31 December	17,574	17,667

13 Income tax

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

Consolidated statement of profit or loss

	2023 AED'000	2022 AED'000
Current income tax expense	20,495	51,781
Deferred tax	2,218	(26,107)
Income tax expense reported in the consolidated statement of profit or loss	22,713	25,674

Deferred tax relates to the following:

	2023 AED'000	2022 AED'000
Provision for expected credit losses	7,354	7,388
Impact of hyperinflation	(2,973)	1,360
Impact of IFRS 16	6,959	8,474
Depreciation	(15,887)	(6,543)
Employees' end of service benefits	8,962	9,015
Net operating losses carried forward	32,832	10,064
Intangible assets with indefinite useful life	(56,160)	(49,378)
Others	8,825	16,927
	(10,088)	(2,693)
Recognised as follows:		
As deferred tax assets	26,110	28,135
As deferred tax liabilities	(36,198)	(30,828)
	(10,088)	(2,693)

Reconciliation of deferred tax liability, net:

	2023 AED'000	2022 AED'000
At 1 January	(2,693)	(34,108)
Deferred tax assets	(2,218)	26,107
Foreign exchange	(5,177)	5,308
At 31 December	(10,088)	(2,693)

13 Income tax (continued)

Reconciliation between accounting profit and taxable profit:

	2023 AED'000	2022 AED'000
Accounting profit before income tax*	152,448	190,208
Non-deductible expenses	72,863	107,965
Taxable profit	225,311	298,173
Income tax expense reported in the consolidated statement of profit or loss	22,713	25,674
Effective income tax rate (%)	14.90%	13.50%

*Accounting profit before income tax includes the result of discontinued operations.

Movements on income tax provision were as follows:

At 1 January	46,038	62,547
Income tax expense for the year	20,495	51,781
Income tax paid	(34,357)	(58,782)
Prior period adjustments	9,855	-
Foreign exchange	(5,355)	(9,508)
At 31 December	36,676	46,038

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.

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax ("CT") regime in the UAE. The CT regime is effective for annual periods beginning on or after 1 June 2023 and accordingly, it has a current income tax related impact on the consolidated financial statements for the Group starting 1 January 2024.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% CT rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000, and a rate of 0% will apply on qualifying income of qualifying free zone entities.

Based on the information available to date, the Group assessed the deferred tax implications and concluded that it is not expected to be significant as of and for the year ended 31 December 2023. As certain other cabinet decisions are pending as on the date of the consolidated financial statements for the year ended 31 December 2023, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published. Impact if any, will be accordingly reflected in the Group's consolidated financial statements when such additional information will be substantively issued.

Income tax appearing in the consolidated statement of profit or loss represents the income tax expense of the Group's subsidiaries that operates in taxable jurisdiction. Taxes on income are accrued using the applicable tax rates that would be applicable to the expected total annual profit.

Pillar Two

Aramex Group is regarded as a multinational enterprises groups (MNE) for the purposes of Organisation for Economic Co-operation and Development's (OECD) Pillar Two legislation, which essentially requires MNEs with global turnover of EUR 750 million or over to pay tax at an effective rate of at least 15% in every jurisdiction in which it has Constituent entity(ies) (i.e. entities that are included in the consolidated financial statements of the Group) or JVs. The OECD has been issuing the detailed commentary and administrative guidance during 2023 on the model Pillar Two legislation and the transitional rules (i.e. transitional safe harbour rules), with further guidance, updated commentary and signing of the multilateral instrument (MLI) on the subject to tax rule (STTR) expected during 2024. Pillar Two rules are being implemented in various jurisdictions (including the middle east) based on individual countries' local legislative process in a phased manner from 1 January 2024 onwards. The United Arab Emirates (UAE) Ministry of Finance has indicated that Pillar Two will not apply in the UAE in 2024, and that it will be releasing a public consultation on Pillar Two in Q1 of 2024.

13 Income tax (continued)

***Pillar Two* (continued)**

Aramex Group has been monitoring the progress of the Pillar Two implementation in the jurisdictions in which it operates through Constituent Entities and Joint Ventures. The Group has also appointed advisers to carry out an assessment on the impact of the rules under the Transitional safe harbour rules (briefly these rules provide an option to MNE groups to rely on CBCR reports/data to determine the jurisdictions that pass one of the three tests and therefore not be required to apply a top-up tax in that jurisdiction under the Pillar Two rules).

The impact assessment exercise is being done for the Aramex Group based on latest available CBCR report (FY 2022) filed by the Group in the UAE. The assessment will highlight the jurisdictions that pass the tests and identify jurisdictions that could have top-up tax liability under Pillar Two rules. The calculation of approximate top-up tax liability based on 2022 data needs to be updated/revised based on the recent administrative guidance issued by the OECD in December 2023 which requires certain adjustments to the financial data as reported in the Group's CBC Report to evaluate the safe harbour tests (to clarify, there is no top-up tax liability payable under Pillar Two rules for 2022). This exercise is currently ongoing. The assessment will be updated for the FY 2023 financial data based on CBCR report for 2023. These assessments would then form the basis for the Aramex Group to review its group structure and operations so as to understand and optimise its top-up tax liability within the framework and spirit of Pillar Two legislation, when such legislation will apply to the Group for financial year 2024 onwards. The quantification of actual top-up tax liability under Pillar Two rules will be based on intra-group payments and financial numbers/data for the year 2024 and onwards, when Pillar Two legislation will be in effect for the Aramex Group.

The Aramex Group tax team is closely monitoring the developments on implementation of Pillar Two legislation in the jurisdictions that it operates, along with further guidance that is expected to be issued by OECD in 2024 and the signing status of MLI by various countries for the STTR to apply (MLI signing expected in mid-2024). The Group will be updating the 2022 assessment for 2023 financial data to further refine the impact assessment conducted to date.

14 Accounts receivable, net

	2023 AED'000	2022 AED'000
Accounts receivable	1,184,933	1,226,331
Less: impairment for expected credit losses	(94,465)	(95,921)
	1,090,468	1,130,410

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

	2023 %	2022 %
Gulf Cooperation Council	43	49
Middle East, North Africa and Turkey	19	12
East and South Africa	4	5
Europe	11	12
North America	6	6
North Asia	2	2
South Asia	8	8
Oceania	7	6

As at 31 December 2023, accounts receivable at nominal value of AED 94,465 thousand (2022: AED 95,921 thousand) were impaired. Movement on expected credit losses was as follows:

	2023 AED'000	2022 AED'000
At 1 January	95,921	92,044
Charge for the year, net	19,812	17,532
Amounts written-off	(18,153)	(10,156)
Acquisition of a subsidiary	-	3,898
Foreign exchange	(3,115)	(7,397)
At 31 December	94,465	95,921

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.

15 Other current assets

	2023 AED'000	2022 AED'000
Advances to suppliers	55,133	50,636
Prepaid expenses	51,722	55,355
Refundable deposits	41,534	39,665
Withholding tax	24,032	23,262
Escrow receivable	-	54,446
Other receivables*	93,883	60,786
	266,304	284,150

* As at 31 December 2023, the Group had other receivables amounting to AED 93,883 thousand (2022: AED 60,786 thousand) that mainly represent stationery, supplies and other receivables.

16 Cash and bank balances

	2023 AED'000	2022 AED'000
Cash and cash equivalents	567,189	758,954
Restricted cash, margins and fixed deposits*	8,021	9,488
	575,210	768,442

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 4% - 6.88% per annum (2022: 2.6% - 2.8% per annum).

Included in cash at banks are amounts totalling AED 426,753 thousand (2022: AED 503,758 thousand) of cash held at foreign banks abroad and amounts totalling approximately AED 53,468 thousand (2022: AED 60,738 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 6,157 thousand (2022: AED 7,020 thousand) and long-term deposits with maturities greater than 3 months of AED 1,864 thousand (2022: AED 2,779 thousand).

	2023 AED'000	2022 AED'000
Restricted cash	181	40
Less: impairment for expected credit losses	(181)	(38)
	-	2
Exchange rate difference	-	(313)
	-	(311)

Movement on expected credit losses was as follows:

	2023 AED'000	2022 AED'000
At 1 January	38	1,785
Charge/(reversal) for the year	227	(1,434)
Exchange rate difference	(84)	(313)
At 31 December	181	38

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

	2023 AED'000	2022 AED'000
Cash and cash equivalents	567,189	758,954
Less: bank overdrafts (Note 23)	(2,848)	(131,353)
	564,341	627,601

17 Share capital

	2023	2022
Authorised, issued and paid up capital	AED'000	AED'000
1,464,100,000 ordinary shares of AED 1 each (2022: 1,464,100,000 ordinary shares of AED 1 each)	1,464,100	1,464,100

18 Reserves

Statutory reserve

In accordance with the Company's Articles of Association and the UAE Federal Decree Law No. (32) of 2021, 10% of the net profit for each year is required to be transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid-up share capital of the applicable entities. This reserve is non-distributable except in certain circumstances. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the Parent Company. It does not, however, reflect the additional transfers to the consolidated statutory reserves which would be made if the retained post-acquisition profits of the subsidiaries were distributed to the Parent Company.

Foreign currency translation reserve

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

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.

	2023	2022
	AED'000	AED'000
At 1 January	(12,145)	(12,177)
Net (loss)/gain from revaluation	(92)	32
At 31 December	(12,237)	(12,145)

Remeasurements of post-employment benefit obligations

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

	2023	2022
	AED'000	AED'000
At 1 January	341	169
Remeasurements of post-employment benefit obligations	(119)	172
At 31 December	222	341

19 Dividends

At the Annual General Meeting of the shareholders held on 18 April 2023, the shareholders approved a cash dividend of 9.53% for annual profits of the year ended 31 December 2022 (31 December 2021: cash dividend of 13%) of the issued and paid-up capital amounting to AED 1,464,100 thousand (31 December 2021: AED 1,464,100 thousand). The dividends per share amounted to AED 0.0953 (31 December 2021: AED 0.13).

20 Interest-bearing loans and borrowings

	2023 AED'000	2022 AED'000
Non-current		
Term loans (a)	1,066,766	1,086,091
Notes payable	569	213
	1,067,335	1,086,304
Current		
Term loans (a)	47,176	36,886
Notes payable	1,329	1,979
	48,505	38,865

(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 SOFR. The total limit of this facility is USD 200 million (equivalent to AED 735 million), the total balance utilised as at 31 December 2023 is nil (2022: nil). The purpose of this facility is to fund capital expenditure and working capital requirements including permitted acquisitions. The loan is secured by corporate guarantee extended by Aramex PJSC, Aramex Abu Dhabi LLC, Aramex Emirates LLC, Aramex International LLC, Aramex Hong Kong Limited, Aramex Int'l Egypt for Air & Local Services (Egypt), Aramex Saudi Limited Company, Aramex UK Limited, Aramex Doha WLL and Aramex International Limited (Kuwait).

HSBC loan (1)

During 2022, Aramex Fastway refinanced a 5 year term loan agreement with HSBC Bank Australia that matured in January 2022. The total loan amount is AED 83.2 million (AUD 28.7 million) bearing annual interest rate of AUD (BBSY) plus a margin of 2.1% p.a. The term loan is repayable in 20 consecutive quarterly instalments, the first instalment was due on 31 March 2021. The purpose of the loan is to finance capital expenditure of the Group or general corporate purposes of the Group. The loan is secured by corporate guarantee extended by Aramex PJSC.

HSBC loan (2)

During 2022, Aramex New Zealand refinanced a 5 year term loan agreement with HSBC Bank New Zealand that matured in January 2022. The total loan amount is AED 85 million (NZD 31.62 million) bearing annual interest rate of NZD (BKBM) plus a margin of 2.1% p.a. The term loan is repayable in 20 consecutive quarterly instalments, the first instalment was due on 31 March 2021. The purpose of the loan is to finance capital expenditure of the Group or general corporate purposes of the Group. The loan is secured by corporate guarantee extended by Aramex PJSC.

Acquisition Financing – MyUS Syndicated loan

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

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

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

20 Interest-bearing loans and borrowings (continued)

(a) *Term loans* (continued)

Acquisition Financing – MyUS Syndicated loan (continued)

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

There were several financial covenants attached to the interest-bearing loans and borrowings. The Group's subsidiaries complied with financial covenants as of 31 December 2023.

On 6 October 2023, the Group made an early settlement in the amount of GBP 5 million as principal (AED 23.5 million) and interest in the amount of GBP 71 thousand (AED 319 thousand) under Facility B issued under the agreement.

Others

Term loans also include a number of loans obtained by Group with a balance of AED 2 million to finance their operating activities. These loans carry interest at commercial rates, are repayable in regular instalments and are subject to covenants consistent with the Group's borrowing policies. The loans are secured by corporate guarantees extended by various Group's subsidiaries.

The principal instalments payable after 2023 for long-term loans as of 31 December 2023 are as follows:

	AED'000
Year	
2024	47,176
2025	11,926
2026	45,883
2027	48,881
2028 thereafter	960,076
	1,113,942

21 Employees' end of service benefits

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

	2023 AED'000	2022 AED'000
At 1 January	164,136	148,822
Provided during the year	33,758	35,066
Paid during the year	(25,997)	(20,417)
Reclassification during the year	-	1,800
Discontinued operations	(13)	(22)
Actuary valuation through other comprehensive income	119	(172)
Exchange differences	(2,035)	(941)
At 31 December	169,968	164,136

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

	2023 %	2022 %
Discount rate	5.4 - 8.28	4.55 - 8
Salary increase rate	3.3 – 8.5	3.30 - 6
Normal retirement age (years)	64	64

	2023 AED'000	2022 AED'000
Current service cost	21,050	20,323
Past service cost	1,299	-
Finance cost	7,113	2,750

21 Employees' end of service benefits (continued)

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	2023 AED'000	2022 AED'000
Less than 1 year	18,647	19,750
Between 1 – 5 years	50,918	51,873
Over 5 years	177,044	143,055
	246,609	214,678

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 December 2023 and 31 December 2022 is, as shown below:

	Impact on defined benefit obligation	
	2023 AED'000	2022 AED'000
Discount rate:		
0.5% increase	(660)	(862)
0.5% decrease	635	315
Salary increase rate:		
0.5% increase	636	316
0.5% decrease	(666)	(868)

The sensitivity analyses 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 analyses 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.

22 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.

23 Bank overdrafts

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

	2023 AED'000	2022 AED'000
Aramex Algeria S.A.L (Citibank)	2,240	-
Aramex Tunisia (Arab Bank)	608	1,520
Aramex International LLC (HSBC)	-	72,222
Aramex Special Logistics (Citibank)	-	57,611
	2,848	131,353

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

24 Provisions

Movements in provisions are as follows:

	Total AED'000
Carrying amount at 1 January 2022	85,007
Provided during the year	22,484
Reversed during the year	(23,081)
Paid during the year	(8,968)
Exchange differences	(4,062)
Carrying amount at 31 December 2022	71,380
Provided during the year	27,691
Reversed during the year	(35,899)
Paid during the year	(15,887)
Exchange differences	389
Carrying amount at 31 December 2023	47,674

The above provisions primarily relate to legal and other claims.

25 Other current and non-current liabilities

(A) **Other current liabilities**	2023 AED'000	2022 AED'000
Accrued expenses	420,961	479,095
Sales tax and other taxes	69,083	64,682
Customers' deposits	20,255	21,998
Deferred revenue	15,304	23,153
Social security taxes payable	6,402	6,478
Others *	127,834	125,445
	659,839	720,851

* As at 31 December 2023, the Group has had other liabilities related mainly to cash on delivery collected by the Group on behalf of the customers, amounting to AED 53,468 thousand (2022: AED 60,738 thousand) (Note 16).

(B) **Other non-current liabilities**	2023 AED'000	2022 AED'000
Deferred income *	13,002	15,035
Employees' benefit liability	-	925
	13,002	15,960

* In August 2021, the Group entered into a license and a software agreement and deed of termination for an amount of AED 19,587 thousand, which was recognised as deferred income and is being amortised over the contract term of 10 years considered as a termination to the old contract and an advance to the new arrangement. An amount of AED 2,033 thousand was amortised during the year and recognised in the consolidated statement of profit or loss (2022: AED 3,270 thousand). The accumulated amortisation as of 31 December 2023 is AED 6,585 thousand.

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

26 Rendering of services

	2023 AED'000	2022 AED'000
International express	2,295,412	2,248,885
Freight forwarding	1,495,870	1,684,376
Domestic express	1,427,360	1,496,683
Logistics	428,927	449,807
Others*	46,453	46,254
	5,694,022	5,926,005

26 Rendering of services (continued)

* 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.

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

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

Certain comparative figures have been reclassified to conform to the current presentation of "Segment information" (Note 33).

27 Cost of services

	2023 AED'000	2022 AED'000
Freight forwarding costs	1,120,712	1,286,003
International express costs	1,143,457	1,189,425
Domestic express costs	671,066	694,159
Salaries and benefits (Note 30)	742,160	716,445
Depreciation of right of use assets (Note 6)	183,006	178,900
Logistics costs	92,619	142,851
Vehicle running and maintenance	84,401	89,201
Supplies	48,689	45,464
Depreciation of property and equipment (Note 5)	37,741	37,513
Communication expenses	18,325	17,256
Government fees and taxes	4,033	3,773
Others	120,884	100,711
	4,267,093	4,501,701

Certain comparative figures have been reclassified to conform to the current presentation of "Segment information" (Note 33).

28 Administrative expenses

	2023 AED'000	2022 AED'000
Salaries and benefits (Note 30)	363,239	364,451
Repairs and maintenance	109,326	108,107
Depreciation of property and equipment (Note 5)	75,605	78,908
Depreciation of right of use assets (Note 6)	51,157	68,344
Professional fees	40,373	55,223
Communication expenses	36,869	46,428
Insurance and security	24,122	31,623
Government fees and taxes	21,407	33,806
Utilities	10,244	11,720
Travel expenses	9,897	11,651
Entertainment	7,139	7,510
Printing and stationary	5,022	5,390
Vehicle running expenses	4,054	3,343
Corporate social responsibility*	1,769	2,901
Legal expenses	2,894	214
Sponsorship	248	302
Others	81,763	77,727
	845,128	907,648

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

29 Other income, net

	2023 AED'000	2022 AED'000
Exchange loss	(3,795)	(17,399)
Gain/(loss) on disposals of property and equipment and right of use assets	87	(4,931)
Net gain on property and customer goods	-	1,291
Miscellaneous income	17,060	23,448
	13,352	2,409

30 Staff costs

	2023 AED'000	2022 AED'000
Salaries and allowances	1,296,088	1,251,535
End of service benefits	33,758	35,066
Other employees' benefits	16,189	15,286
	1,346,035	1,301,887
Staff costs are allocated as follows:		
Administrative expenses (Note 28)	363,239	364,451
Selling and marketing expenses	240,636	220,991
Cost of services (Note 27)	742,160	716,445
	1,346,035	1,301,887

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 profit or loss are as follows:

Directors' fees paid

Directors' fees of AED 2,675 representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2023 were accrued for during 2023 (2022: an amount of AED 2,334 thousand were accrued for during 2022). Directors' fees of AED 2,987 representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2022 were paid in 2023 (2022: AED 4,240 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2021 were paid in 2022).

Key management compensation

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

	2023 AED'000	2022 AED'000
Salaries and other short-term benefits	9,998	8,139
Board remuneration	2,987	4,240
End of service benefits	419	455
	13,404	12,834

Significant subsidiaries of the Group include:

Aramex Fastway Holdings PTY Ltd.
Aramex New Zealand Holdings Ltd
Aramex Nederland B.V.
Aramex Jordan Ltd.
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex Emirates LLC, UAE
Aramex International Hava Kargo ve Kerye Anonim Sirketyi (Turkey)
Aramex International Ltd
Aramex Ireland Limited
Aramex South Africa PTY Ltd.
Aramex Hong Kong Limited

31 Related party transactions (continued)

Significant subsidiaries of the Group include (continued)**:**

Aramex Saudi Limited Company
Aramex International Logistics Private Ltd.
Aramex (UK) Limited
Aramex India Private Ltd.
Access USA Shipping LLC
Aramex New York 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 2023 and 2022 are included in Notes 14 and 22:

		Sales to related parties AED'000	Cost from related parties AED'000	Amounts owed by related parties (a) AED'000	Amounts owed to related parties (b) AED'000
Associates and partners:					
	2023	2,140	1,275	33	839
	2022	2,151	1,791	23	1,276
Joint ventures in which the parent is a venture:					
	2023	53,557	736	18,503	10
	2022	98,052	505	9,865	12,885
Related parties and companies controlled by shareholders (c)					
	2023	154,727	-	42,722	1,650
	2022	146,434	-	32,498	873

(a) These amounts are classified as accounts receivable and other non-current assets. No loss allowance was recognised in relation to amounts owed by related parties during 2023 and 2022.

(b) These amounts are classified as accounts payable.

(c) Included in the above disclosure balances as at 31 December 2023 and 31 December 2022 and transactions for the year ended 31 December 2023 by the shareholders, GeoPost and Abu Dhabi Ports PJSC, which acquired issued shares of Aramex PJSC during October 2021 and January 2022, respectively, as detailed in Note 1.

32 Earnings per share

	31 December 2023	31 December 2022
Profit attributable to shareholders of the Parent (AED'000)		
Profit for the year from continuing operations	130,626	161,012
(Loss)/profit for the year from discontinued operations	(1,329)	4,367
	129,297	165,379
Weighted average number of shares during the year (shares)	1,464 Million	1,464 Million
Basic and diluted earnings per share from continuing operations (AED)	0.089	0.110
Basic and diluted earnings per share from discontinued operations (AED)	(0.001)	0.003
Total basic and diluted earnings per share (AED)	0.088	0.113

33 Segmental information

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

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

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

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

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

The following table presents revenue and profit information for each of the Group’s operating segments for the years ended 31 December 2023 and 2022, respectively.

	Courier* AED’000	Freight forwarding AED’000	Logistics AED’000	Others AED’000	Total AED’000
Year ended 31 December 2023					
Revenue					
Total revenues from rendering of services**	4,806,009	1,790,667	429,776	129,800	7,156,252
Inter-segment	(1,083,237)	(294,797)	(849)	(83,347)	(1,462,230)
Total revenues after elimination	3,722,772	1,495,870	428,927	46,453	5,694,022
Gross profit	1,093,067	229,338	65,283	39,241	1,426,929
Earnings before interest and tax	167,876	63,819	17,472	17,494	266,661
Depreciation and amortisation	240,574	28,516	90,740	1,241	361,071
Year ended 31 December 2022					
Revenue					
Total revenues from rendering of services**	4,936,081	2,037,387	450,744	126,303	7,550,515
Inter-segment	(1,190,513)	(353,011)	(937)	(80,049)	(1,624,510)
Total revenues after elimination	3,745,568	1,684,376	449,807	46,254	5,926,005
Gross profit	1,083,618	232,697	69,022	38,967	1,424,304
Earnings before interest and tax	142,493	71,861	9,147	21,829	245,330
Depreciation and amortisation	249,951	29,253	88,056	1,414	368,674

* Courier segment includes international express, domestic express, and operations of Access Shipping LLC (“MyUS”).

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

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

33 Segmental information (continued)

There are no customers accounting for more than 10% of total revenue for the years ended 31 December 2023 and 2022.

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

Geographical segments

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

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

	2023 AED'000	2022 AED'000
Revenues		
United Arab Emirates	967,814	1,075,424
Gulf Cooperation Council excluding United Arab Emirates	1,267,171	1,295,663
Middle East, North Africa and Turkey	779,806	776,563
East and South Africa	298,518	346,596
Europe	707,957	745,992
North America	582,407	377,183
North Asia	155,770	286,308
South Asia	415,297	490,065
Oceania	519,282	532,211
	5,694,022	5,926,005
Assets		
United Arab Emirates	1,701,890	1,904,703
Gulf Cooperation Council excluding United Arab Emirates	691,049	695,569
Middle East, North Africa and Turkey	647,205	589,930
East and South Africa	137,475	165,603
Europe	530,342	573,126
North America	1,105,754	1,188,132
North Asia	49,336	86,033
South Asia	264,353	237,771
Oceania	700,436	651,642
	5,827,840	6,092,509
Non - current assets*		
United Arab Emirates	676,566	706,716
Gulf Cooperation Council excluding United Arab Emirates	321,473	299,698
Middle East, North Africa and Turkey	247,521	251,885
East and South Africa	49,510	60,466
Europe	156,455	147,615
North America	179,639	205,763
North Asia	10,158	22,772
South Asia	81,346	63,906
Oceania	384,972	352,390
	2,107,640	2,111,211

33 Segmental information (continued)

Geographical segments (continued)

	2023	2022
	AED'000	AED'000
Liabilities		
United Arab Emirates	572,231	795,360
Gulf Cooperation Council excluding United Arab Emirates	609,541	583,134
Middle East, North Africa and Turkey	255,033	249,135
East and South Africa	67,932	77,032
Europe	605,687	630,571
North America	660,949	662,226
North Asia	34,594	49,782
South Asia	101,423	86,816
Oceania	452,530	440,065
	3,359,920	3,574,121

* 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).

34 Commitments and contingencies

Guarantees

	2023	2022
	AED'000	AED'000
Letters of guarantee	143,414	162,881

Guarantees are issued by banks on behalf of the Group.

Capital commitments

As at 31 December 2023, the Group has capital commitments of AED 17 million (2022: AED 18 million) towards purchase/construction of property and equipment.

Legal claims contingency

The Group is a defendant in a number of lawsuits amounting to AED 97,581 thousand representing legal actions and claims related to its ordinary course of business (2022: AED 118,376 thousand). Management and its legal advisors believe that the provision recorded of AED 16,282 thousand as of 31 December 2023 is sufficient to meet the obligations that may arise from the lawsuits (2022: AED 39,217 thousand).

35 Acquisition arrangement

Acquisition of Access Shipping LLC

Purchase consideration and identifiable net assets acquired

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

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

The allocation of the purchase price has been modified during the measurement period, as more information was obtained about the fair value of assets acquired and liabilities assumed. The net impact on Goodwill was a decrease of AED 949 thousand (total net identifiable assets at fair value increased by AED 4,567 thousand while the total final consideration increased by AED 3,618 thousand upon the final collection of the escrow account).

35 Acquisition arrangement (continued)

Acquisition of Access Shipping LLC (continued)

Purchase consideration and identifiable net assets acquired (continued)

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

	2023 AED'000
Consideration value	940,824
Escrow on acquisition, net*	7,077
Consideration adjustments	(3,459)
Total consideration transferred	944,442

*Escrow account initial balance was AED 18,364 thousand of which AED 11,287 thousand were collected during the year ended 31 December 2023. The remaining balance of AED 7,077 thousand was allocated to the consideration value.

The fair value of identifiable assets and liabilities of the Acquired Company as at the acquisition and finalisation dates are as follows:

Assets acquired and liabilities assumed

	Fair values recognised on finalisation of the acquisition AED'000	Fair values recognised on acquisition AED'000
Assets		
Property and equipment (Note 5)	25,139	25,139
Right of use assets	5,638	5,638
Intangible assets (Brand)	37,963	37,963
Intangible assets (Customer Relationships - B2B)	11,730	11,730
Intangible assets (Customer Relationships - B2C)	48,705	48,705
Intangible assets (Software)	42,789	42,789
Accounts receivable, net	7,847	6,746
Other current assets	3,598	3,598
Cash and cash equivalents	12,696	12,696
	196,105	195,004
Liabilities		
Accounts payable	4,982	4,982
Other current liabilities	29,905	33,371
Lease liabilities	5,904	5,904
	40,791	44,257
Total net identifiable assets at fair value	155,314	150,747
Purchase consideration	(944,442)	(940,824)
Goodwill (Note 7)	789,128	790,077

Impact of the acquisitions on the results of the Group

Acquired receivables

The fair value of acquired trade receivables is AED 7,847 thousand. The gross contractual amount for trade receivables due is AED 7,847 thousand, with a loss allowance of AED nil recognised on acquisition.

35 Acquisition arrangement (continued)

Assets acquired and liabilities assumed (continued)

Separate identifiable intangible assets for acquisitions

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

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

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

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

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

Post-combination expenses

The Group has entered into a deferred proceeds agreement in the amount of AED 26,496 thousand with executive management of MyUS who held a minority share interest in the Acquired Company prior to the acquisition. The payout of the deferred proceeds is based on the number of shares held and key performance indicators met relating to achieving target revenues and earnings before interest, taxes, depreciation, and amortisation for 2023 and 2024 calendar years. The payout is contingent upon continuing employment and will be expensed in the post-combination period. During the year ended 31 December 2023, the Group settled AED 10,625 thousand of the deferred proceeds, and the outstanding contingent balance as of that date is AED 15,871 thousand.

36 Financial instruments by category

	2023 AED'000	2022 AED'000
Financial assets at fair value through other comprehensive income		
Equity instruments	15,311	15,311
Debt instruments	2,263	2,356
	17,574	17,667
Financial assets at amortised cost		
Accounts receivable and other current assets (excluding prepayment, advances to suppliers and withholding tax)	1,225,885	1,285,307
Restricted cash, margins and bank deposits	8,021	9,488
Cash and bank balances	567,189	758,954
	1,801,095	2,053,749
Financial liabilities at amortised cost		
Bank overdrafts	2,848	131,353
Lease liabilities	948,586	938,723
Interest-bearing loans and borrowings	1,115,840	1,125,169
Accounts payable, income tax provision, provisions, and other non-current and current liabilities (excluding deferred revenue and deferred income)	1,055,249	1,140,817
	3,122,523	3,336,062

36 Financial instruments by category (continued)

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 130,887 thousand (2022: AED 129,253 thousand) have been excluded from accounts receivable and other current assets. Non-financial liabilities amounting to AED 28,305 thousand (2022: AED 38,188 thousand) have been excluded from accounts payable, income tax provision, accrued expenses, provisions, and other non-current and current liabilities.

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

37 Non-cash transactions

	2023 AED'000	2022 AED'000
Additions of right of use assets (Note 6)	248,337	325,687
Disposals of right of use assets (Note 6)	12,600	82,231

38 Net debt reconciliation

	2023 AED'000	2022 AED'000
Cash and cash equivalents (Note 16)	564,341	627,601
Borrowings (excluding bank overdraft) (Note 20)	(1,115,840)	(1,125,169)
Lease liabilities (Note 6)	(948,586)	(938,723)
Net debt from financing activities	(1,500,085)	(1,436,291)

	Liabilities from financing activities		
	Borrowings AED'000	**Lease liabilities** AED'000	**Total** AED'000
Debt as at 1 January 2022	164,683	935,315	1,099,998
Financing cash flows	971,243	(241,039)	730,204
Additions of right of use assets (Note 6)	-	325,687	325,687
Disposals of right of use assets	-	(82,985)	(82,985)
Discontinued operations	-	1,745	1,745
Foreign exchange adjustments	(10,757)	-	(10,757)
Debt as at 31 December 2022	1,125,169	938,723	2,063,892
Financing cash flows	(21,904)	(226,275)	(248,179)
Additions of right of use assets (Note 6)	-	248,338	248,338
Disposals of right of use assets	-	(13,846)	(13,846)
Discontinued operations	-	1,646	1,646
Foreign exchange adjustments	12,575	-	12,575
Debt as at 31 December 2023	1,115,840	948,586	2,064,426

39 Event after the reporting period

On 15 December 2023, the Group entered into an acquisition arrangement through a Business and Asset Sale Agreement ("BASA") to acquire "Aramex (Melbourne)"; a regional franchise of a courier and freight logistics business for a consideration value of AED 22.3 million. The acquisition was finalised on 30 January 2024. The Group considers this a non-adjusting subsequent event.