

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED 31 DECEMBER 2022

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**INDEPENDENT AUDITOR'S REPORT
TO THE PARTNERS OF ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)**

Opinion

We have audited the financial statements of Ecu Line Saudi Arabia LLC (Mixed Limited Liability Company) (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in partner's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process. Management is responsible for overseeing the Company's financial reporting process

INDEPENDENT AUDITOR'S REPORT

To the Partners of ECU LINE SAUDI ARABIA LLC (MIXED LIMITED LIABILITY COMPANY)
(CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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 financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

for Ernst & Young Professional Services



Hussain Saleh Asiri
Certified Public Accountant
License No. (414)

Jeddah: 18 June 2023G
29 Duh Al-Qi'dah 1444H



ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	256,350	76,782
Right-of-use asset	6	9,699,601	96,180
Deferred tax asset	15	1,227,501	1,078,641
TOTAL NON-CURRENT ASSETS		11,183,452	1,251,603
CURRENT ASSETS			
Trade receivables	7	44,087,038	46,723,219
Advances, prepayments and other current assets	8	4,126,655	4,397,890
Cash and bank balances	9	948,577	5,331,359
TOTAL CURRENT ASSETS		49,162,270	56,452,468
TOTAL ASSETS		60,345,722	57,704,071
PARTNERS' EQUITY AND LIABILITIES			
PARTNERS' EQUITY			
Capital	1	1,350,000	1,350,000
Statutory reserve	10	512,766	512,766
Retained earnings		6,560,324	4,919,291
TOTAL PARTNERS' EQUITY		8,423,090	6,782,057
NON-CURRENT LIABILITY			
Lease liability	6	8,424,776	-
Employees' defined benefit liabilities	12	4,725,490	4,602,252
TOTAL NON CURRENT LIABILITIES		13,150,266	4,602,252
CURRENT LIABILITIES			
Accounts payable	13	27,475,263	38,866,843
Current portion of lease liability	6	1,495,365	45,687
Accrued expenses and other current liabilities	14	8,455,893	6,016,330
Zakat and income tax payable	15	1,345,845	1,118,859
Dividend payable	11	-	272,043
TOTAL CURRENT LIABILITIES		38,772,366	46,319,762
TOTAL LIABILITIES		51,922,632	50,922,014
TOTAL PARTNERS' EQUITY AND LIABILITIES		60,345,722	57,704,071

The attached notes from 1 to 23 form an integral part of these financial statements.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 SR	2021 SR
Revenue from contracts with customers	16	215,189,262	187,902,911
Rental income		6,252,851	4,010,583
Total revenue		221,442,113	191,913,494
Cost of revenue		(193,331,650)	(167,788,108)
Gross profit		28,110,463	24,125,386
General and administrative expenses	17	(20,905,891)	(18,391,841)
Operating profit		7,204,572	5,733,545
Finance costs		(624,678)	(122,814)
Foreign exchange loss		(222,700)	(195,162)
Profit before zakat and income tax		6,357,194	5,415,569
Zakat	15	(190,128)	(102,703)
Income tax			
- Current	15	(1,214,216)	(1,015,949)
- Deferred	15	253,348	249,631
NET PROFIT FOR THE YEAR		5,206,198	4,546,548
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent years (net of tax):</i>			
Re-measurement gain/(losses) on employees' defined benefits liabilities	12	746,343	(394,800)
Related to deferred tax	15	(104,488)	55,272
		641,855	(339,528)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,848,053	4,207,020

The attached notes from 1 to 23 form an integral part of these financial statements.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the year ended 31 December 2022

	<i>Saudi partner (30%)</i>			<i>Non-Saudi partner (70%)</i>			<i>Total</i>			
	<i>Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Capital</i>	<i>Statutory reserve</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Balance as at 1 January 2021	405,000	153,830	1,208,760	945,000	358,936	3,012,611	1,350,000	512,766	4,221,371	6,084,137
Profit before zakat and income tax	-	-	1,624,671	-	-	3,790,898	-	-	5,415,569	5,415,569
Provision for zakat and income tax	-	-	(102,703)	-	-	(766,318)	-	-	(869,021)	(869,021)
Profit for the year	-	-	1,521,968	-	-	3,024,580	-	-	4,546,548	4,546,548
Other comprehensive loss for the year	-	-	(118,440)	-	-	(221,088)	-	-	(339,528)	(339,528)
Total comprehensive (loss) / income for the year	-	-	1,403,528	-	-	2,803,492	-	-	4,207,020	4,207,020
Dividend paid during the year	-	-	(1,052,730)	-	-	(2,456,370)	-	-	(3,509,100)	(3,509,100)
Balance as at 31 December 2021	405,000	153,830	1,559,558	945,000	358,936	3,359,733	1,350,000	512,766	4,919,291	6,782,057
Profit before zakat and income tax	-	-	1,907,158	-	-	4,450,036	-	-	6,357,194	6,357,194
Provision for zakat and income tax	-	-	(345,299)	-	-	(805,697)	-	-	(1,150,996)	(1,150,996)
Profit for the year	-	-	1,561,859	-	-	3,644,339	-	-	5,206,198	5,206,198
Other comprehensive gain for the year	-	-	192,557	-	-	449,298	-	-	641,855	641,855
Total comprehensive income for the year	-	-	1,754,416	-	-	4,093,637	-	-	5,848,053	5,848,053
Dividend paid during the year	-	-	(1,262,106)	-	-	(2,944,914)	-	-	(4,207,020)	(4,207,020)
Balance as at 31 December 2022	405,000	153,830	2,051,868	945,000	358,936	4,508,456	1,350,000	512,766	6,560,324	8,423,090

The attached notes 1 to 23 form part of these financial statements.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Note</i>	2022 SR	2021 SR
OPERATING ACTIVITIES			
Profit before zakat and income tax		6,357,194	5,415,569
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation on right-of-use assets	6	1,742,529	1,259,832
Allowance for expected credit loss	7(a)	1,000,000	1,135,000
Employee termination benefits incurred	12	934,086	822,101
Depreciation on property and equipment	5	73,286	58,424
Finance costs		624,678	122,814
		10,731,773	8,813,740
Working capital adjustments:			
Trade receivables		1,636,181	(19,304,467)
Advances, prepayments and other current assets		271,235	2,295,475
Accounts payable		(11,391,580)	17,882,039
Accrued expenses and other current liabilities		2,003,182	2,705,204
Cash generated from operations		3,250,791	12,391,991
Employees' defined benefit liabilities paid	12	(64,505)	(111,059)
Financial charges paid		(624,678)	(122,814)
Income tax paid	15	(1,177,358)	(855,561)
Net cash flows from operating activities		1,384,250	11,302,557
INVESTING ACTIVITY			
Purchase of property and equipment	5	(252,854)	(27,175)
Cash flows used in investing activity		(252,854)	(27,175)
FINANCING ACTIVITIES			
Dividends paid	11	(4,042,682)	(6,098,736)
Principal lease repayments	6	(1,471,496)	(1,212,204)
Cash flows used in financing activities		(5,514,178)	(7,310,940)
NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES		(4,382,782)	3,964,442
Cash and bank balances at the beginning of the year	9	5,331,359	1,366,917
CASH AND BANK BALANCES AT THE END OF THE YEAR	9	948,577	5,331,359
NON-CASH ITEMS:			
Re-measurement (Gain) / losses on employees' defined benefits liabilities		(746,343)	394,800
Adjustment of dividend payable against balance due from partners due to tax		227,904	-

The attached notes 1 to 23 form part of these financial statements.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

1 COMPANY INFORMATION

ECU LINE Saudi Arabia LLC (the "Company") is a Mixed Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration no. 4030222136 issued in Jeddah on 6 Rabi'Alawal 1433H (29 January 2012). The Company has obtained SAGIA license No. 1020321111943 on 4 Dhul Qi'dah 1432 (2nd October 2011). The registered address of the Company is Muhammadiyah Plaza, Madina Munawara road, PO Box 104071, Jeddah 21331, Kingdom of Saudi Arabia.

The company is mainly engaged in the operation of storage facilities for all types of goods except foodstuffs, shipping and dispersal services in general, storage in ports and customs or free zones, loading and unloading of goods and passenger luggage regardless of the mode of transport, loading and unloading of air cargo aircraft, freight brokers, activities of transport agencies, sea freight and parcel transport (domestic).

The shareholding of the Company as of December 31, 2022 and December 31, 2021 is as follows:

	<u>Nationality</u>	<u>Equity %</u>	<u>No. of Shares</u>	<u>Capital</u> SR
Najd Trading and General Contracting Company	Saudi	30	40,500	405,000
Ecuhold N. V	Non-Saudi	70	94,500	945,000
		<u>100</u>	<u>135,000</u>	<u>1,350,000</u>

The Company has the following branches:

<u>No.</u>	<u>Branch</u>	<u>CR Number</u>	<u>Dated</u>
1	Dammam	2050102137	3 Muharram 1435 (06 November 2013)
2	Riyadh	1010947257	24 Jumada Al-Akhirah 1439 (12 March 2018)

The results, assets and liabilities of the branches are included in these financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention using the accruals basis of accounting and the going concern assumption, except for employees' benefits liabilities, measured at present value of the defined benefit obligation.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

2.4 Significant accounting judgements, estimates and assumptions

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

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Financial instruments risk management (note 20)
- Capital management (note 21)

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Revenue from contracts with customers

Satisfaction of performance for obligation

The Company is required to assess for each of its contract with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

Determination of transaction prices

The Company is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Company assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In determining the impact of variable consideration, the Company uses the "most-likely amount" method in IFRS 15 whereby the transactions price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Determining the lease term of contracts with termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to terminate. That is, it considers all relevant factors that create an economic incentive for it. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to terminate (e.g., a change in business strategy).

Estimates and assumptions

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

Useful lives and residual value of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Provision for expected credit losses ("ECLs") of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. 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.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for expected credit losses (“ECLs”) of trade receivables (continued)

The Company’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default in the future. The information about the ECLs on the Company’s trade receivables is disclosed in note 20.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cashflow (“DCF”) model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit (“CGU”) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 12.

Provisions

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Recoverability of deferred tax asset

The Company is required by IAS 12 to assess that it will have sufficient taxable profit in the future to realize its deferred tax asset. The Company makes budget and other assessment to evaluate that it will be generating sufficient taxable profit in the future to realize its deferred tax asset.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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 the 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.

The Company classifies all other liabilities as non-current.

Deferred tax asset or liabilities are classified as non-current.

Fair value measurement

The Company measures financial instruments at fair value at each reporting date.

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

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

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

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

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

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

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

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

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where applicable.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of furniture and office equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

Depreciation

Depreciation is calculated over depreciable amount, which is the cost of an asset or other amount substitute for cost, less its residual value. The depreciable amount is depreciated on a straight-line basis over the estimated useful lives of the assets and is generally recognized in the statement of profit or loss account and other comprehensive income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Furniture and fixtures	4
Office equipment	3
Forklift	4
Vehicle	4

Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, are recognized in statement of profit or loss and other comprehensive income.

Impairment of non-financial assets

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Units (CGU's) fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. 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 Group 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.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU 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.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate, if any. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) or fair value through statement of profit or loss (“FVTPL”).

Financial asset at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

Financial asset at FVOCI

Debt instruments:

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

The financial assets measured at FVOCI have been classified as non-current assets in the statement of financial position.

Equity instruments:

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Business model assessment (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria) (continued)

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Derecognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of comprehensive income.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset

Offsetting of financial instruments

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a Group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks and cash on hand.

Statutory reserve

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to the statutory reserve until there reserve equals 30% of capital. The reserve is not available for distribution as dividends.

Provisions

Provisions are recognized when the Company 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. Where the Company expects some or all a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in 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 recognized as a finance cost.

Employee termination benefits

The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. This benefit is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other profit or loss and other comprehensive income in the period in which they occur.

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee termination benefits (continued)

Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'general and administrative expenses' in the statement of profit or loss and other comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, as appropriate.

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. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss.

Borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing borrowings.

Derecognition

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

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Revenue recognition

The Company recognizes revenue when or as a performance obligation is satisfied, i.e. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer. The Company applies a five-step model to determine when to recognize revenue and at what amount.

- Step 1: Identify the contract with the 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
- Step 5: Recognize revenue when or as the entity satisfies a performance obligation

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Freight and related income

Freight and related income are recognized upon delivery of shipment to the customer as the sales process is considered complete and the control is transferred to the customer that performance obligation is satisfied.

Rental income

The company provides warehouse storage services to its customers on the port. The income from storage services meets the definition of operating lease under IFRS - 16. Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

Other income

Other income that are incidental to the Company's business model are recognized as income as they are earned or accrued.

Expenses

Direct costs

Direct cost represents all expenses directly attributable or incidental to the core operating activities of the Company

General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of the core business operations. Allocations between cost of sales and general and administrative expenses, when required, are made on a consistent basis.

Finance costs

Finance costs are recorded in the statement of profit or loss and other comprehensive income of the period in which these are incurred

Zakat and tax

Zakat

Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. Zakat provision is charged to the statement of comprehensive income. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which settlement is finalised.

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and tax (continued)

Income tax

Income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of comprehensive income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases and liabilities and their carrying amounts for the financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised.

The carrying amount of deferred tax assets/liabilities 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/liability to be utilised. Unrecognised deferred tax assets/liabilities 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 and deferred tax liability to be settled.

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

Withholding tax

The Company withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

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

Dividends

Dividend are recognized as a liability at the time of their approval by the shareholders.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

4.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the financial statements of the Company as the Company does not have any such contracts.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

4.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the financial statements of the Company as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

4.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Company's financial statements as the Company doesn't have any such instances.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements as the Company doesn't have any such instances.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Company's financial statements. As the Company doesn't have any such instances.

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

4.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE (continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Company's financial statements, as the Company doesn't have any such instances.

5 PROPERTY AND EQUIPMENT

	<i>Furnitures & fixtures SR</i>	<i>Office equipment SR</i>	<i>Forklift SR</i>	<i>Vehicles SR</i>	<i>Total SR</i>
Cost:					
At 1 January 2021	932,644	489,375	267,916	282,295	1,972,230
Additions	-	27,175	-	-	27,175
At 31 December 2021	932,644	516,550	267,916	282,295	1,999,405
Additions	-	54,502	-	198,352	252,854
At 31 December 2022	932,644	571,052	267,916	480,647	2,252,259
Accumulated depreciation					
At 1 January 2021	824,613	489,375	267,916	282,295	1,864,199
Charge for the year	31,249	27,175	-	-	58,424
At 31 December 2021	855,862	516,550	267,916	282,295	1,922,623
Charge for the year	24,441	25,703	-	23,142	73,286
At 31 December 2022	880,303	542,253	267,916	305,437	1,995,909
Net book value:					
At 31 December 2022	52,341	28,799	-	175,210	256,350
At 31 December 2021	76,782	-	-	-	76,782

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

6 RIGHT OF USE ASSETS

	2022 SR	2021 SR
Cost:		
As at 1 January	4,241,958	3,030,335
Additions	11,345,950	1,211,623
As at 31 December	15,587,908	4,241,958
Accumulated Amortization:		
As at 1 January	4,145,778	2,885,946
Charge for the year (note 17)	1,742,529	1,259,832
As at 31 December	5,888,307	4,145,778
Net Book value	9,699,601	96,180
Lease Liability:		
As at 1 January	45,687	46,268
Additions	11,345,950	1,211,623
Accretion of interest	494,009	32,484
Payments during the year	(1,965,505)	(1,244,688)
As at 31 December	9,920,141	45,687
Non-current lease liabilities	8,424,776	-
Current lease liabilities	1,495,365	45,687
	9,920,141	45,687

7 TRADE RECEIVABLES

	2022 SR	2021 SR
Accounts receivable - third parties	47,331,702	48,587,712
Amounts due from related parties (note 18)	268,600	648,771
	47,600,302	49,236,483
Less: allowance for expected credit loss (note 7 (a))	(3,513,264)	(2,513,264)
	44,087,038	46,723,219

Accounts receivable are unsecured and non-interest bearing and are generally on terms of 30 to 90 days.

a) Movement in the allowance for expected credit losses of receivables is as follows:

	2022 SR	2021 SR
As at 1 January	2,513,264	1,378,264
Charge for the year (note 17)	1,000,000	1,135,000
As at 31 December	3,513,264	2,513,264

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2022

8 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Prepaid expenses	1,088,371	1,351,874
Receivables from employees	1,094,674	584,653
Advance payment to supplier	757,313	678,760
Refundable deposits	344,040	1,393,000
VAT receivable	334,839	-
Contract assets	308,561	196,392
Other	198,857	193,211
	4,126,655	4,397,890

9 CASH AND BANK BALANCES

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Cash at bank	905,935	5,251,458
Cash in hand	42,642	79,901
	948,577	5,331,359

10 STATUTORY RESERVE

As required by Companies' Law, 10% of the net income for the year is required to be transferred to the statutory reserve. As per the Articles of Association of the Company, the Company may resolve to discontinue such transfer when the reserve totals 30% of the capital. This reserve is not available for distribution. No amount is transferred to statutory reserve during the year 2021 and 2022.

11 DIVIDEND PAYABLE

During 2022, dividend of SR 4.2 million relating to 2021 was declared and it's paid during FY 2022. For FY 2021, dividend of SR 3.5 million relating to 2020 was declared, out of which SR 3.2 million was paid during FY 2021.

12 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	2022 SR	2021 SR
As at 1 January	4,602,252	3,496,410
<i>Included in statement of profit or loss</i>		
Current service cost	803,417	731,771
Interest cost	130,669	90,330
	934,086	822,101
	5,536,338	4,318,511
<i>Included in statement of other comprehensive income</i>		
Re-measurement (Gain) / losses on employees' defined benefits liabilities	(746,343)	394,800
Benefits paid	(64,505)	(111,059)
As at 31 December	4,725,490	4,602,252

The following were the principal actuarial assumptions applied at the reporting date:

	2022	2021
Discount factor used	4.57%	2.95%
Salary increase rate	7% for 1 st year, 4.25% thereafter	7% for 1 st year 4.25% thereafter
Rates of employee turnover	Moderate	Moderate

The quantitative sensitivity analysis for principal assumptions is as follows:

	2022 SR	2021 SR
Discount rate:		
+1% increase	(365,786)	(400,372)
-1% decrease	422,682	457,201
Salary increase rate:		
+1% increase	419,008	457,201
-1% decrease	(369,654)	(398,835)
Withdrawal rate :		
+1% increase	(8,524)	(59,722)
-1% decrease	8,532	(66,886)

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2022

13 ACCOUNTS PAYABLE

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Accounts payable - related parties (note 18)	19,470,135	32,196,409
Accounts payable - third parties	8,005,128	6,670,434
	27,475,263	38,866,843

14 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Advances from customers	2,552,762	2,578,298
Accrued expenses	5,903,131	3,438,032
	8,455,893	6,016,330

15 ZAKAT AND INCOME TAX PAYABLE

Basis for Zakat and income tax:

The Company is subject to zakat and income tax. Zakat is payable on higher of adjusted profit or the zakat base. Zakat is applicable at 2.5% on adjusted profit & 2.578% on zakat base. Income tax is payable at 20% of adjusted profit.

Zakat and income tax charges

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Income tax related to non-Saudi partner recorded in statement of profit or loss		
<i>Current tax</i>	1,214,216	1,015,949
<i>Deferred tax</i>	(253,348)	(249,631)
	960,868	766,318
Income tax related to non-Saudi partner recorded in statement of other comprehensive income	104,488	(55,272)
Zakat related to Saudi partner	151,840	102,703
Zakat and Income tax charge	1,217,196	813,749

Income Tax

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Current income tax charge	1,214,216	1,015,949
Deferred tax credit	(148,860)	(304,903)
Income tax reported in statement of profit or loss and other comprehensive income	1,065,356	711,046

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2022

15 ZAKAT AND INCOME TAX PAYABLE (continued)

Deferred Tax

	2022 SR	2021 SR
As at 1 January	1,078,641	773,738
Deferred tax credit during the year recognised in statement of profit or loss	253,348	249,631
Deferred tax credit to other comprehensive income	(104,488)	55,272
	<u>1,227,501</u>	<u>1,078,641</u>
As at 31 December	<u>1,227,501</u>	<u>1,078,641</u>

Deferred tax assets recognized due to temporary differences arising on:

	2022 SR	2021 SR
Employee termination benefits	661,569	644,315
Allowance for expected credit losses	491,857	351,857
Accelerated depreciation on property and equipment	74,075	82,469
	<u>1,227,501</u>	<u>1,078,641</u>

ZAKAT

The zakat charge for the year relating to the Saudi partner consists of:

	2022 SR	2021 SR
Current year provision	151,840	102,703
Adjustment for prior years	38,288	-
	<u>190,128</u>	<u>102,703</u>

The principal elements of the zakat base are as follows:

	2022 SR	2021 SR
Opening Partners' equity	716,390	(4,380)
Opening Provision and other adjustments	2,693,346	1,823,575
Zakatable results for the year	2,557,920	2,229,820
	<u>5,967,656</u>	<u>4,049,015</u>
Zakat base	<u>5,967,656</u>	<u>4,049,015</u>

The differences between the financial and the zakatable results are mainly due to adjustments for certain costs / claims based on the relevant fiscal regulations.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2022

15 ZAKAT AND INCOME TAX PAYABLE (continued)

Movement in current zakat and income tax provision for the year is as follows:

	2022			2021
	<i>Zakat</i>	<i>Income</i>	<i>Total</i>	<i>Total</i>
	<i>SR</i>	<i>Tax</i>	<i>SR</i>	<i>SR</i>
		<i>SR</i>		
As at 1 January	102,639	1,016,220	1,118,859	855,768
Charge for the year	151,840	1,214,216	1,366,056	1,118,652
Adjustment for prior year	38,288	-	38,288	-
Payments made during the year	(161,138)	(1,016,220)	(1,177,358)	(855,561)
As at 31 December	131,629	1,214,216	1,345,845	1,118,859

Status of assessment

The ZATCA has finalized the assessment for the years ended 31 December 2015 to 2018.

The Company has submitted its Tax and Zakat returns up to year ended December 31, 2021, and obtained the required certificates and official receipts

Assessments for the years from 2019 to 2021 are under review with the ZATCA

16 REVENUE FROM CONTRACTS WITH CUSTOMERS

Segments

	2022	2021
	<i>SR</i>	<i>SR</i>
Type of services		
Air freight and related income	19,276,541	16,662,854
Ocean freight and related income	195,912,721	171,240,057
	215,189,262	187,902,911

Geographical markets

	2022	2021
	<i>SR</i>	<i>SR</i>
Central region	130,400,308	109,404,705
Eastern region	41,775,283	36,480,363
Western region	29,088,962	33,122,890
Exports	13,924,709	8,894,953
	215,189,262	187,902,911

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 SR	2021 SR
Employee benefits	15,451,968	13,172,446
Depreciation on right of use assets (note 6)	1,742,529	1,259,832
Allowance for expected credit loss (note 7 (a))	1,000,000	1,135,000
Insurance	618,307	440,105
Consultancy fees	570,000	518,400
Others	319,341	320,507
Traveling and transportation	256,983	134,022
Telephone and internet charges	233,691	238,593
Maintenance charges	214,033	201,175
Technical support service fees	160,053	169,634
Rent expense	155,845	640,879
Government fees	109,855	102,824
Depreciation (note 5)	73,286	58,424
	20,905,891	18,391,841

18 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, major partners, directors and key management personnel of the Company, managers and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

<i>Name</i>	<i>Relationship</i>
Ecu-Hold N.V.	Partner
ECU Line Middle East LLC	Affiliate
ASIAPAC Turkey TACIMALIK	Affiliate
ECU Riga IC	Affiliate
ECU Durban IC	Affiliate
ECU Worldwide (Guangzhou) Ltd	Affiliate
ECU New York IC	Affiliate
ECU Miami IC	Affiliate
ECU Amman IC	Affiliate
ECU London IC	Affiliate
ECU Durban IC	Affiliate
ECU Shenzhen IC	Affiliate
Prism Global IC	Affiliate
All Cargo Mumbai IC	Affiliate
ECU Logistics do Brasil Ltd	Affiliate
ECU Shanghai IC	Affiliate
ECU Line Ningbo	Affiliate
ECU-Line Rotterdam B.V.	Affiliate
ECU Line Qingdao	Affiliate
ECU Worldwide (UK) Limited	Affiliate
ECU Worldwide Vietnam Co. Ltd	Affiliate
ECU Barcelona IC	Affiliate
ECU Worldwide (Germany) GmbH	Affiliate
ECU Worldwide (Belgium) NV	Affiliate
ECU Line Turkey	Affiliate
ECU Line Italy	Affiliate
ECU Worldwide USA	Affiliate
ECU Worldwide China Ltd.	Affiliate
ECU Dubai IC	Affiliate

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2022

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Name</i>	<i>Relationship</i>
ECU Line France	Affiliate
All Cargo Gandhidham IC	Affiliate
ECU Line Malaysia Sdn	Affiliate
KAFF Logistic	Affiliate
Oriental Power log	Affiliate
ECU Hochiminh IC	Affiliate

- a) The following table provides the total amount of material transactions that have been entered into with related parties:

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
Partner	Technical support service fees	(160,053)	(169,634)
Affiliate	Sales	4,236,575	2,861,070
Affiliate	Expenses incurred on behalf of the company	(54,445,062)	(77,489,334)
Key management personnel			
Salaries and other benefits		1,143,760	1,085,680
End of service benefits		957,137	722,328

The above transactions resulted in the following balances at year end:

Amounts due from related parties as at 31 December comprises the following:

	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
ECU South Africa	104,159	-
ECU Guangzhou IC	37,976	-
ECU Worldwide Bahrain	30,013	-
ECU Chili	23,970	-
ECU Logistics de Mexico	19,832	-
ECU Shanghai IC	-	261,265
ASIAPAC Turkey Tasimacilik AS	-	98,813
ECU Dubai IC	-	69,857
ECU Riga IC	-	50,141
ECU New York IC	-	35,581
ECU Durban IC	-	29,454
ECU Miami IC	-	23,926
ECU London IC	-	15,299
ECU Barcelona IC	-	14,802
ECU Shenzhen IC	-	13,705
ECU Logistics do Brasil Ltd.	7,828	1,454
Prism Global IC	-	9,748
All Cargo Gandhidham IC	-	6,054
ECU Line Middle East LLC	-	1,418
Others	44,824	17,254
	268,602	648,771

ECU LINE SAUDI ARABIA LLC
(MIXED LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to related parties as at 31 December comprises the following:

	2022 SR	2021 SR
ECU Shenzhen IC	6,705,728	15,096,921
ECU Worldwide Vietnam Co. Ltd	2,827,717	5,223,389
ECU Line Dubai	1,698,412	1,120,302
ECU Line Malaysia Sdn	1,196,165	437,905
ECU Line Qingdao	1,015,488	840,070
Allcargo India	776,872	-
ECU Line Ningbo	661,073	62,008
ECU Prolinair	566,217	-
ASIAPAC Turkey Tasimacilik AS	552,130	-
ECU Worldwide (Belgium) NV	369,660	305,369
"FMA Italy (FCL Marine Italy)	341,426	-
ECU Worldwide USA	288,420	-
ECU Line France	268,883	479,688
ECU Worldwide (UK) Limited	250,164	405,133
ECU FCL Marine (Germany)	206,434	-
ECU Worldwide (Germany) GmbH	171,572	194,308
Oriental Power log	162,025	252,471
ECU Thailand	148,228	-
ECU Line Philippines	132,408	-
ECU Line Italy	124,927	138,719
Transcisco, LDA Portugal	109,130	-
ECU-Line Rotterdam B.V.	101,153	132,493
ECU Line Shanghai	68,470	3,379,168
KAFF Logistic	46,461	351,587
ECU Worldwide (Guangzhou) Ltd	-	2,377,824
ECU Line Turkey	-	11,468
Others	680,972	1,387,586
	19,470,135	32,196,409

- The amounts are classified as trade receivables and trade payables, respectively (see Notes 7 and 13)

19 FINANCIAL INSTRUMENTS

19.1 Financial assets measured at amortized cost

	2022 SR	2021 SR
Trade receivable	44,087,038	46,723,219
Other current assets	542,898	1,586,211
Cash and bank balances	948,577	5,331,359
	45,578,513	53,640,789

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

19 FINANCIAL INSTRUMENTS (Continued)

19.2 Financial liabilities measured at amortized cost

	2022 SR	2021 SR
Accounts payable	27,475,263	37,509,323
Other current liabilities	1,262,077	863,287
Lease liability	11,933,041	45,687
	<u>40,670,381</u>	<u>38,418,297</u>

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities are accounts payable, lease liability, dividend payable and other current liabilities. The Company's principal financial assets include accounts receivable, cash and bank balances and other current assets that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and the Company's risk appetite.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and currency risk, explained as follows:

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is not exposed to interest rate risk as the Company does not have any interest-bearing assets and liabilities as at 31 December 2022 (31 December 2021: SR Nil).

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year ended 31 December 2022 and 31 December 2021, the Company did not undertake significant transactions in currencies other than Saudi Riyals, Euro, GBP and US Dollars. Since Saudi Riyal is pegged to US Dollar, the Company is not exposed to any significant currency risk at year end. Transactions in other foreign currencies are not material and hence the Company is not exposed to any significant currency risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily on trade and other receivables) and on its cash at bank balances:

i) Trade and other receivables

Credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

As at 31 December 2022, the Company's top 5 customers owed more than 38% of outstanding accounts receivable (2021: 37%).

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses.

ECU LINE SAUDI ARABIA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

i) Trade and other receivables (continued)

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	<u>31 December 2022</u>							
	<u>< 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-120 days</u>	<u>121-180 days</u>	<u>181-365 days</u>	<u>> 365 days</u>	<u>Total</u>
Expected credit loss rate	0.6%	0.79%	1.21%	2.3%	4.5%	17.3%	23.4%	
	SR	SR	SR	SR	SR	SR	SR	SR
Estimated total gross carrying amount at default	8,110,984	7,897,680	5,316,013	4,240,347	5,637,523	13,939,242	2,458,513	47,600,302
Expected credit loss	48,585	62,392	64,324	97,528	253,689	2,411,455	575,291	3,513,264

	<u>31 December 2021</u>							
	<u>< 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-120 days</u>	<u>121-180 days</u>	<u>181-365 days</u>	<u>> 365 days</u>	<u>Total</u>
Expected credit loss rate	2%	2%	2%	5.5%	10%	15.9%	100.00%	
	SR	SR	SR	SR	SR	SR	SR	SR
Estimated total gross carrying amount at default	14,654,572	13,197,251	7,908,788	3,753,111	6,642,294	2,560,457	520,010	49,236,483
Expected credit loss	293,092	265,138	158,891	205,351	664,229	406,553	520,010	2,513,264

ii) Cash at bank balance

With regards to credit risk arising out of cash at bank balances, the Company manages its credit risk by depositing its cash with reputable banks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity requirements are monitored on a regular basis and the Company's management ensures that sufficient funds are available to meet any commitments as they arise.

At 31 December 2022 and 31 December 2021, all of the entity's financial liabilities were contractually due and payable within 12 months of the year-end.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

<i>31 December 2022</i>	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>1 to 5 years SR</i>	<i>> 5 years SR</i>	<i>Total SR</i>
Accounts payable	8,764,981	18,710,282	-	-	27,475,263
Other current liabilities	2,536,768	5,919,125	-	-	8,455,893
Lease liabilities	518,397	1,149,981	8,439,356	1,037,239	11,144,973
Total	11,820,146	25,779,388	8,439,356	1,037,239	47,076,129

<i>31 December 2021</i>					
Accounts payable	2,790,564	34,718,759	-	-	37,509,323
Other current liabilities	-	836,287	-	-	836,287
Lease liabilities	45,687	-	-	-	45,687
Total	2,836,251	35,555,046	-	-	38,391,297

21 CAPITAL MANAGEMENT

For the purpose of capital management, capital includes capital, statutory reserve and all other equity reserves attributable to the partners of the Company. The primary objective of capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments considering changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to partners.

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Company's financial assets consist of bank balances and cash, due from related parties and advances to employees. Its financial liabilities consist of trade and other payables and lease liabilities.

There were no transfers between Level 1, Level 2 and Level 3 during the years.

23 Contingent liabilities

The Company has received invoices from the Parent Company amounting to USD 172,344 towards cross-charging of fees for the TOPAZ project and USD 22,901 for insurance charges summing to SR 732,169, but the same has not yet been recorded by the Company as the Parent Company is yet to provide the workings for the amount cross charged to the Company. These amounts are contingent and can partially be recorded as a liability in the future when the appropriate supports are available.

24 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the partners of the Company on 14 May 2023 (corresponding to 24 Shawwal 1444H).