

ALLCARGO LOGISTICS L.L.C

of

FINANCIAL STATEMENTS

DECEMBER 31, 2021

ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2021
Table of contents

Page Number

| | |
|-----------------------------------|---------|
| Directors' report | 1 - 2 |
| Independent auditor's report | 3 - 5 |
| Statement of financial position | 6 |
| Statement of comprehensive income | 7 |
| Statement of cash flows | 8 |
| Statement of changes in equity | 9 |
| Notes to the financial statements | 10 - 24 |

DIRECTORS' REPORT

The Directors present their report and the financial statements of Allcargo Logistics L.L.C (the "Company") for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is licensed to provide chartering of ship and barges & tugs, customs brokerage, cargo and shipping containers, loading and unloading services, cargo packaging, sea and air cargo services, and as ship chandlers and sea shipping lines agents.

FINANCIAL REVIEW

The table below summarises the financial results:

| | 2021 AED | 2020 AED |
|---------------------|---------------------|---------------------|
| Revenues | 186,083,486 | 74,706,559 |
| Gross profit | 10,126,770 | 11,003,400 |
| Gross profit margin | 5.44% | 14.73% |
| Profit for the year | 117,562 | 160,767 |

AUDITORS

A resolution to re-appoint Baker Tilly MKM Chartered Accountants as auditors for the ensuing year will be proposed in the Annual General Meeting.

ADOPTION OF FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2021 will be adopted in the Annual General Meeting.

EFFECTS OF THE COVID PANDEMIC

In 2020, a corona virus (COVID-19) pandemic affecting the global and U.A.E. economies broke out. This has severely affected and adversely impacted not only the financial, commercial, and economic transactions but also the distribution, production, and supply chains worldwide. The liquidity, solvency and existence of business entities has come under severe stress. The COVID-19 pandemic has impacted and may further continue to impact the business operations, including employees, customers, partners, and communities, and there still remains substantial uncertainty in the nature and degree of its continued effects in the near future. The extent to which the COVID-19 pandemic continues to impact the business going forward will depend on numerous evolving factors that cannot be reliably predicted, including its duration, and the governmental, business and individuals' actions in response. The overall impact on sectors and industries specifically impacted and the economic activity in general, still cannot be measured and determined. These factors may adversely impact consumer, business, and government spending in the economy and on the customers' ability to continue to pay for products and services, on an ongoing basis.

EVENTS AFTER THE YEAR-END

In February 2022, Russia's invasion of Ukraine with the possibility of other nations also getting embroiled in this raging conflict, has led to an adverse impact on production and supply chains of businesses to varying degrees, including but not limited to oil & gas, banking, food, transportation, travel and other commercial operations. As a consequence, the liquidity, solvency and existence of business entities has come under varying degrees of stress, and it is not possible to reliably estimate the impact of this crisis on the Company's future financial and operational condition.

Other than the aforementioned, in the opinion of the Directors, no transaction or event of a material and unusual nature, favourable or unfavourable, has arisen in the interval between the end of the year and the

date of this report that is likely to affect substantially the result of the operations or the financial position of the Company.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The financial statements for the year under review have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Directors confirm that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the applicable statute. The Directors also confirm that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Company's financial position and results of its operations.

The financial statements were approved by the Board and signed on its behalf by the authorised representative of the Company on

23 MAY 2022.

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty
Manager



Level 18, Suite 1801-10
Jumeirah Bay Tower X2, Cluster X
P.O. Box 115915, Jumeirah Lakes Towers
Dubai, United Arab Emirates
T: +971 4 369 7248 / F: +971 4 369 7193
E-mail: info@bakertillyjfc.com
URL: www.bakertillymkm.com

مستوى ١٨، جناح ١٨٠١-١٠
جميرا باي تاور X2، مجمع X
ص.ب: ١١٥٩١٥، أبراج بحيرات جميرا
دبي، الإمارات العربية المتحدة
هاتف: +٩٧١ ٤ ٣٦٩ ٧٢٤٨، فاكس: +٩٧١ ٤ ٣٦٩ ٧١٩٣
البريد الإلكتروني: info@bakertillyjfc.com
الموقع الإلكتروني: www.bakertillymkm.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALLCARGO LOGISTICS L.L.C

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Allcargo Logistics L.L.C (the "Company"), which comprise the statement of financial position as at December 31, 2021, the related statements of comprehensive income, cash flows and changes in equity 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 December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the other ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates ("U.A.E.") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphases of Matters

We refer to note 19 to the financial statements which highlights the possible impact that the current situation regarding the spread of the corona virus (COVID-19) throughout the region and the world has had and could continue to have on the state of affairs and the operating results of the Company in the year 2022.

We refer to note 20 to the financial statements which highlights the possible impact that the current situation regarding the conflict in Ukraine could have on the state of affairs and operating results of the Company in the coming years.

Our opinion is not modified in respect of these matters.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report set out on pages 1-2. The other information does not include the financial statements and our independent auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALLCARGO LOGISTICS L.L.C (continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, in compliance with provisions of U.A.E. Federal Law No. 2 of 2015 (the "Federal Law"), and for such internal controls as management determines are 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.

The management is responsible for overseeing the Company's financial reporting process.

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 ISA 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 the financial statements.

As part of an audit in accordance with ISA, 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 controls;
- obtain an understanding of internal controls 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 controls;
- 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; and
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ALLCARGO LOGISTICS L.L.C (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Federal Law and the applicable provisions, we report that:

- 1) we have obtained all the information and explanations necessary for the purpose of our audit;
- 2) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law and the Memorandum of Association ("MOA") of the Company;
- 3) the Company has maintained proper books of account;
- 4) the financial information included in the Directors' report is consistent with the books of account of the Company;
- 5) the Company has not purchased any shares or stocks during the financial year;
- 6) note 8 to the financial statements reflects material related party transactions and balances, and the terms under which they were conducted; and
- 7) based on the information that has been available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended December 31, 2021 any of the applicable provisions of the Federal Law or its MOA which would materially affect its activities or its financial position as at December 31, 2021.

BAKER TILLY MKM
Chartered Accountants



Sanjiv Gambhir
Engagement Partner
Dubai, United Arab Emirates



Neil Andrew Sturgeon
Senior Partner & Group CEO – Assurance
ELA Number 1261
Dubai, United Arab Emirates

Date: 23 MAY, 2022

ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2021

| | Note | 2021 AED | 2020 AED |
|-------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 5,030,067 | 5,231,788 |
| Accounts receivable | 6 | 65,652,291 | 16,165,948 |
| Other receivables | 7 | 2,062,353 | 1,874,273 |
| Due from related party | 8 | 2,695,764 | 1,210,728 |
| | | <u>75,440,475</u> | <u>24,482,737</u> |
| Non-current assets | | | |
| Property and equipment | 9 | 159,260 | 306,814 |
| TOTAL ASSETS | | <u>75,599,735</u> | <u>24,789,551</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | 10 | 14,469,895 | 9,831,400 |
| Other payables | 11 | 38,729,705 | 1,415,218 |
| Due to related parties | 8 | 3,366,337 | 336,409 |
| Loans from related parties | 8 | 4,016,650 | 3,000,000 |
| | | <u>60,582,587</u> | <u>14,583,027</u> |
| Non-current liabilities | | | |
| Loans from related parties | 8 | 13,504,229 | 9,054,912 |
| Employees' end-of-service benefits | 12 | 811,298 | 567,553 |
| | | <u>14,315,527</u> | <u>9,622,465</u> |
| Total liabilities | | <u>74,898,114</u> | <u>24,205,492</u> |
| Equity | | | |
| Share capital | 2 | 300,000 | 300,000 |
| Statutory reserve | | 150,000 | 150,000 |
| Retained earnings | | 251,621 | 134,059 |
| Total equity | | <u>701,621</u> | <u>584,059</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>75,599,735</u> | <u>24,789,551</u> |

The accompanying notes 1 to 20 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 3 to 5.

The financial statements were authorised for issue on **23 MAY**, 2022 by:

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty
Manager



ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Statement of comprehensive income
For the year ended December 31, 2021

| | Note | 2021 AED | 2020 AED |
|--|------|---------------|--------------|
| Revenue | 13 | 186,083,486 | 74,706,559 |
| Direct costs | 14 | (175,956,716) | (63,703,159) |
| Gross profit | | 10,126,770 | 11,003,400 |
| Other income | 15 | 902,570 | 370,574 |
| Expected credit loss allowance written back | 6 | 1,106,153 | - |
| General and administrative expenses | 16 | (11,540,211) | (9,835,073) |
| Expected credit loss allowance for accounts receivable | 6 | (251,831) | (1,109,944) |
| Finance costs | 8 | (225,889) | (268,190) |
| Profit for the year | | 117,562 | 160,767 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 117,562 | 160,767 |

The accompanying notes 1 to 20 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 3 to 5.



ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Statement of cash flows

For the year ended December 31, 2021

| | | 2021 AED | 2020 AED |
|---|-------------|--------------------|--------------------|
| Cash flows from operating activities | Note | | |
| Profit for the year | | 117,562 | 160,767 |
| Adjustments for: | | | |
| Expected credit loss allowance for accounts receivable | 6 | 251,831 | 1,109,944 |
| Expected credit loss allowance written back | 6 | (1,106,153) | - |
| Finance costs | 8 | 225,889 | 268,190 |
| Depreciation of property and equipment | 9 | 171,967 | 188,353 |
| Provision for employees' end-of-service benefits | 12 | 253,422 | 250,246 |
| Operating (loss)/income before working capital changes | | (85,482) | 1,977,500 |
| (Increase)/decrease in accounts receivable | | (48,632,021) | 767,260 |
| (Increase) in other receivables | | (188,080) | (537,301) |
| Net movement in related parties balance | | 1,541,093 | (826,480) |
| Increase in accounts payable | | 4,638,495 | 4,527,831 |
| Increase/(decrease) in other payables | | 37,314,487 | (2,731,429) |
| Cash (used in)/generated from operations | | (5,411,508) | 3,177,381 |
| Employees' end-of-service benefits paid | 12 | (9,677) | (9,061) |
| Net cash (used in)/generated from operating activities | | (5,421,185) | 3,168,320 |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | 9 | (20,614) | (112,959) |
| Net cash (used in) investing activities | | (20,614) | (112,959) |
| Cash flows from financing activities | | | |
| Movement in loans from related parties, net | 8 | 5,240,078 | (3,250,000) |
| Finance costs paid | 8 | - | (146,706) |
| Net cash generated from/(used in) financing activities | | 5,240,078 | (3,396,706) |
| Net (decrease) in cash and cash equivalents | | (201,721) | (341,345) |
| Cash and cash equivalents at the beginning of the year | 5 | 5,231,788 | 5,573,133 |
| Cash and cash equivalents at the end of the year | 5 | 5,030,067 | 5,231,788 |
| Non-cash transactions: | | | |
| Finance costs charged by related parties and credited to loans from related parties | 8 | 225,889 | 121,484 |
| Transfer of property and equipment from related party | 8 | 3,799 | - |

The accompanying notes 1 to 20 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 3 to 5.



ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Statement of changes in equity
For the year ended December 31, 2021

| | Share capital AED | Statutory reserve AED | (Accumulated losses)/ retained earnings AED | Total AED |
|---|-------------------------|-----------------------------|---|--------------|
| As at January 1, 2020 | 300,000 | 150,000 | (26,708) | 423,292 |
| Total comprehensive income for the year | - | - | 160,767 | 160,767 |
| As at December 31, 2020 | 300,000 | 150,000 | 134,059 | 584,059 |
| Total comprehensive income for the year | - | - | 117,562 | 117,562 |
| As at December 31, 2021 | 300,000 | 150,000 | 251,621 | 701,621 |

The accompanying notes 1 to 20 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 3 to 5.



1 LEGAL STATUS AND BUSINESS ACTIVITIES

- a) Allcargo Logistics L.L.C (the "Company") was incorporated on October 19, 2014 and registered with the Department of Economic Development (now Dubai Economy), Government of Dubai, United Arab Emirates ("U.A.E.") as a Limited Liability Company and operates under Commercial License No. 719116. The current license is valid until October 18, 2022.
- b) The Company has a Branch which was registered on June 13, 2018 and operates in U.A.E. under License No. 19680 issued by the Commercial Registration Department of Sharjah Airport International Free Zone Authority ("SAIF Zone Authority"). The current license is valid until June 12, 2022. These financial statements include the financial position and financial performance of the Branch.
- c) The Company is licensed to provide chartering of ship and barges & tugs, customs brokerage, cargo and shipping containers loading and unloading services, cargo packaging, sea and air cargo services, and as ship chandlers and sea shipping lines agents.
- d) The Registered Office of the Company is P.O. Box No. 50447, Dubai, U.A.E.
- e) The management of the Company is vested with Mr. Anu George Mavunil Kunnathil Varughese Georgekutty (Indian National), the Manager.

2 SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is AED 300,000, divided into 300 shares of AED 1,000 each, and was held as of December 31, 2021 between:

| Name of the Shareholder | Nationality/ country of incorporation | No. of Shares | Amount AED | % of shareholding |
|---|---|------------------|----------------|----------------------|
| ECU Hold N.V. | Belgium | 147 | 147,000 | 49 |
| Abdulhamid Mohammed Abdulahim Duwaya - Sponsor | Emirati | 153 | 153,000 | 51 |
| Total | | 300 | 300,000 | 100 |

The Company is part of the ECU Group of Companies and the Ultimate Parent Company is Allcargo Global Logistics Ltd. The Ultimate Beneficial Owner is Mr. Shashi Kiran Shetty (Indian National).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently (subject to point d), is set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the IFRS Interpretations Committee ("the Committee"), and U.A.E. Federal Law No. 2 of 2015.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 and came into effect on January 2, 2022, superseding Federal Law No. 2 of 2015 and its amendments (the "Federal Law"). The management of the Company is in the process of reviewing the new provisions and will comply with the requirements thereof.



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Accounting convention

These financial statements have been prepared in accordance with the historical cost convention and accruals basis.

c) Functional and reporting currency

The functional and reporting currency of the Company is U.A.E. Dirham ("AED").

d) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except for the following amendments to IFRS that are mandatorily effective for accounting years beginning on or after January 1, 2021:

New standards, improvements, interpretations and amendments

- | | |
|--|--|
| • Amendments to IAS 39 | Financial Instruments: Recognition and Measurement |
| • Amendments to IFRS 7 | Financial Instruments: Disclosures |
| • Amendments to IFRS 9 | Financial Instruments |
| • Amendments to IFRS 16 | Leases |
| • Interest Rate Benchmark Reform – Phase 2 | Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 |

The adoption of these new standards, improvements, interpretations and amendments did not have any material impact on the Company's financial statements for the year ended December 31, 2021.

New standards, improvements, interpretations and amendments issued but not yet effective

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory until the dates shown, and hence have not been early adopted by the Company in preparing the financial statements for the year ended December 31, 2021.

- | | |
|----------------------------------|---|
| • Amendments to IAS 1 | Presentation of Financial Statements (January 1, 2023) |
| • Amendments to IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors (January 1, 2023) |
| • Amendments to IAS 12 | Income Taxes (January 1, 2022) |
| • Amendments to IAS 16 | Property, Plant and Equipment (January 1, 2022) |
| • Amendments to IAS 37 | Provisions, Contingent Liabilities and Contingent Assets (January 1, 2022) |
| • Amendments to IFRS 3 | Business Combinations (January 1, 2022) |
| • Amendments to IFRS 4 | Insurance Contracts (January 1, 2023) |
| • IFRS 17 and amendments thereto | Insurance Contracts (January 1, 2023) |
| • Annual improvements | IFRS Standards 2018-2020 Cycle (January 1, 2022) |
| | ▪ IFRS 1 First-time Adoption of International Financial Reporting Standards |
| | ▪ IFRS 9 Financial Instruments |
| | ▪ IFRS 16 Leases |
| | ▪ IAS 41 Agriculture |

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Changes in accounting policies (continued)

Management anticipates that all of the above standards, improvements, interpretations and amendments will be adopted by the Company to the extent applicable from their effective dates. The adoption of these standards, improvements, interpretations and amendments is not expected to have a material impact on the financial statements of the Company in the year of their initial application.

e) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The above classification is determined by both:

- i. the Company's business model for managing the financial asset; and
- ii. the contractual cash flow characteristics of the financial asset.

All income and expenses (except for expected credit loss ("ECL") allowance for accounts receivable and due from related party which is shown separately on the statement of comprehensive income) relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs and general and administrative expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect their contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

The Company's cash and cash equivalents, accounts receivable, other receivables (excluding accrued income, deferred charges, prepaid expenses and advances to suppliers and employees) and due from related party fall into this category of financial instruments.

Financial liabilities at amortised cost

All financial liabilities are measured at amortised cost using the effective interest method. The Company's accounts payable, other payables (excluding deferred revenue), due to related parties and loans from related parties fall into this category of financial instruments.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Accounts receivable

The Company acts primarily as an agent, earning commissions and records invoices to customers at gross value. Hence accounts receivables are stated gross at original invoice amount less the ECL as per IFRS 9. Bad debts are written off when there is no possibility of recovery.

The Company makes use of a simplified approach in accounting for accounts receivable and records the loss allowance as lifetime ECLs. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the provision, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECLs using a provision matrix.

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to note 6 for an analysis of how the impairment requirements of IFRS 9 are applied).

Accrued income relates to services that have been completed at the year-end but the associated revenue had not yet been billed to the customer.

h) Other receivables

Other receivables consist of deferred charges, advances to suppliers and employees, deposits, prepaid expenses and VAT recoverable, net. These are carried at amounts expected to be received whether through cash or services less provision for any uncollectible amounts as per the ECL model.

Deferred charges are costs that have already been incurred for shipments/services in process that will be charged as an expense in a later reporting period, as and when the performance obligations are met.

Advances to suppliers pertain to monies paid in advance against which goods or services are yet to be received as at the reporting date.

i) Related party balances and transactions

The Company, in the ordinary course of business, enters into transactions with companies and entities that fall within the definition of a related party as contained in IFRS. Related parties comprise the shareholders, companies and entities under common or joint ownership or common management and control, their partners and key management personnel.

Related party balances are assessed for non-collectability as per the ECL model.

Amounts due from/to and loan from related parties are classified as current assets/liabilities unless there is a formal agreement in place to defer collection/repayment for a period in excess of 12 months, in which case the amount collectible/repayable after 12 months as at the reporting date is classified as non-current assets/liabilities.

j) Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise ECLs - the ECL model. Instruments within the scope of the requirements include financial assets measured at amortised cost, such as accounts receivable measured under IFRS 15. The Company considers a broad range of information when assessing credit risk and measuring ECLs, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment of financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1");
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2"); and
- financial instruments that have objective evidence of impairment at the reporting date ("Stage 3").

"12-month ECLs" are recognised for the first category while "lifetime ECLs" are recognised for the second category.

Measurement of the ECLs is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Notwithstanding the above provisions, the Company applies the IFRS 9 simplified approach in accounting for accounts receivable, as these items do not contain a significant financing component in accordance with IFRS 15, and records the loss allowance at an amount equal to lifetime ECLs.

k) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognised amounts, and the Company either intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition and bringing of the asset to its working condition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When a part is replaced, and the new part capitalised, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the statement of comprehensive income during the financial year in which they are incurred.

Depreciation of assets is calculated using the straight-line method to allocate their cost less their residual values, if any, over their estimated useful lives as follows:

| <u>Assets</u> | <u>Years</u> |
|------------------------|--------------|
| Computer equipment | 3 |
| Furniture and fixtures | 4 |
| Office equipment | 4 |
| Motor vehicles | 4 |

Depreciation is charged from the date an asset is available for use up to the date the asset is disposed of.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the pattern of economic benefits expected to flow to the Company through the use of items of property and equipment.

m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

n) Accounts payable

Liabilities are recognised gross for amounts to be paid to the supplier for goods or services received, whether claimed by the supplier or not.

o) Other payables

Other payables consist of accrued expenses - import and export, deferred revenue, VAT payable, net and others.

Deferred revenue refers to payments received in advance for services which have not yet been performed at the reporting date.

Accrued expenses - import and export are the cost of goods or services received or incurred during a period for which the suppliers' invoices have not been received as at the reporting date.

p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

q) Employees' end-of-service benefits

Provision is made for end-of-service benefits of employees in accordance with U.A.E. Labour Law. The provision for the employees' end-of-service benefits liability is calculated annually based on their basic remuneration and length of service at the reporting date.

r) Statutory reserve

As required by U.A.E. Federal Law No. 2 of 2015, 10% of the profit for the year is required to be transferred to a statutory reserve until such reserve equals 50% of the paid up share capital of the Company. Having attained this limit, transfers have ceased. This reserve is not available for distribution to the Shareholders.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

t) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding taxes or duties.

To determine whether to recognise revenue, the Company follows a 5-step process as per IFRS 15:

- i. Identifying the contract with a customer;
- ii. Identifying the performance obligations;
- iii. Determining the transaction price;
- iv. Allocating the transaction price to the performance obligations; and
- v. Recognising revenue when performance obligation(s) are satisfied.

Revenue is recognised at a point in time or over a period of time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as current liabilities in these financial statements. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The Company generates revenue from services as a customs broker, cargo loading and unloading, cargo packaging, sea cargo, air cargo, and sea shipping lines agent, distribution and logistics, all of which are recognised on execution of orders of customers and agents.

Other income mainly relates to excess provisions released to other income during the year and rebates received from various suppliers.

u) Expenses

Direct costs include all costs directly attributable to the generation of revenue and include export and import documentation and freight charges, and other direct costs. All other expenses are classified as general and administrative expenses or finance costs, as appropriate.

The Company applies the short-term lease recognition exemption to its short-term leases (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 assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Foreign currency transactions and translations

Foreign currency transactions are translated into AED using the exchange rate prevailing on the date of transaction. Monetary assets and liabilities, denominated in foreign currencies, are translated into AED using the exchange rates prevailing on the reporting date. Gains and losses from foreign exchange transactions are taken to the statement of comprehensive income.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Provision for ECLs on financial assets

An allowance against accounts receivable is recognised as per IFRS 9 considering the pattern of receipts from, and the future financial outlook of, the concerned customers. In measuring the ECLs, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the credit period and the days past due. The percentage for the ECL is reviewed by the management on a regular basis.

Assessment of impairment of other receivables, due from related party, and cash at bank is made in line with IFRS 9. This assessment is reviewed by management on a regular basis. The Company deals with reputable banks to limit its credit risk with respect to cash at banks. Other receivables and due from related party carry minimal credit risk.

ii) Satisfaction of performance obligations under IFRS 15 "Revenue from Contracts with Customers"

The Company assesses each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time to determine the appropriate method of revenue recognition. The Company recognises revenue at a point of time or over a period of time when the performance obligations are satisfied following the 5-step process as per IFRS 15. The Company reviews the nature of transactions to determine whether it is acting as a principal or as an agent in the transactions, and records revenues and costs accordingly.

ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Notes to the financial statements
For the year ended December 31, 2021

| | | |
|--|-------------------|-------------------|
| 5 CASH AND CASH EQUIVALENTS | 2021 | 2020 |
| | AED | AED |
| Cash in hand | 164,044 | 41,670 |
| Cash at bank | 4,866,023 | 5,190,118 |
| | <u>5,030,067</u> | <u>5,231,788</u> |
| 6 ACCOUNTS RECEIVABLE | 2021 | 2020 |
| | AED | AED |
| Accounts receivable - non-related parties | 64,091,724 | 16,053,102 |
| Accounts receivable - related parties (note 8.5) | 182,876 | 308,121 |
| | <u>64,274,600</u> | <u>16,361,223</u> |
| Expected credit loss allowance for accounts receivable (6.3) | (471,736) | (1,433,754) |
| | <u>63,802,864</u> | <u>14,927,469</u> |
| Accrued income | 1,849,427 | 1,238,479 |
| Accounts receivable, net | <u>65,652,291</u> | <u>16,165,948</u> |

6.1 Accounts receivable are non-interest bearing and are generally on 90 days credit terms (refer to note 18 for credit risk analysis), after which date accounts receivable are considered to be past due. It is not the practice of the Company to obtain collateral over these accounts receivable and therefore the vast majority of these receivable are unsecured.

6.2 As at the reporting date, the ageing analysis of accounts receivable was as follows:

| | Total | Not past due | | | |
|------|------------|--------------|-----------|-----------|-----------|
| | | 0 - 90 | 91 - 120 | 121 - 180 | >180 |
| | days | days | days | days | days |
| | AED | AED | AED | AED | AED |
| 2021 | 64,274,600 | 61,259,584 | 1,856,556 | 553,037 | 605,423 |
| 2020 | 16,361,223 | 12,051,337 | 998,798 | 492,781 | 2,818,307 |

6.3 Expected credit losses as per IFRS 9

The Company applies the IFRS 9 simplified model of recognising lifetime ECLs for all accounts receivable as these items do not have a significant financing component.

In measuring the ECLs, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for revenue over the past period of up to 24 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Accounts receivable are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within the credit period and failure to engage with the Company on alternative payment arrangements amongst others are considered indicators of no reasonable expectation of recovery.



ALLCARGO LOGISTICS L.L.C

Dubai - United Arab Emirates

Notes to the financial statements

For the year ended December 31, 2021

6 ACCOUNTS RECEIVABLE (continued)**6.3 Expected credit losses as per IFRS 9 (continued)**

The movement of expected credit loss allowance was as follows:

| | 2021 | 2020 |
|---|----------------|------------------|
| | AED | AED |
| Balance as at the beginning of the year | 1,433,754 | 363,810 |
| Provided for the year (note 16) | 251,831 | 1,109,944 |
| Written - off against accounts receivable | (107,696) | (40,000) |
| Expected credit loss allowance written back | (1,106,153) | - |
| Balance as at the end of the year | <u>471,736</u> | <u>1,433,754</u> |

7 OTHER RECEIVABLES

| | 2021 | 2020 |
|-------------------------------------|------------------|------------------|
| | AED | AED |
| Deferred charges (7.1) | 867,825 | 255,421 |
| Deposits (7.2) | 841,553 | 570,738 |
| Prepaid expenses | 308,058 | 311,252 |
| Advances to suppliers and employees | 25,474 | 689,218 |
| VAT recoverable, net | 19,443 | 47,644 |
| | <u>2,062,353</u> | <u>1,874,273</u> |

7.1 Deferred charges are costs incurred for ongoing projects which will be invoiced when the performance obligations are met.

7.2 Deposits include AED 97,100 (2020: AED 83,900) for labour visa and performance guarantees of AED 642,000 (2020: AED 422,000) under lien with banks as at the reporting date (note 17.2).

There is no expected impact on account of IFRS 9 on other receivables.

8 RELATED PARTY TRANSACTIONS AND BALANCES

At the reporting date, balances with related parties were as follows:

| 8.1 Due from related party | Relationship | 2021 | 2020 |
|--------------------------------|---------------|------------------|------------------|
| | | AED | AED |
| Allcargo Logistics FZE, U.A.E. | Group Company | <u>2,695,764</u> | <u>1,210,728</u> |

There is no material impact on account of IFRS 9 on due from related party.

| 8.2 Loans from related parties | Relationship | | |
|--|---------------|-------------------|-------------------|
| ECU Hold N.V., Belgium | Shareholder | 7,640,360 | 2,364,391 |
| Ecuhold N.V. (Jebel Ali Branch), U.A.E | Group Company | <u>9,880,519</u> | <u>9,690,521</u> |
| | | <u>17,520,879</u> | <u>12,054,912</u> |
| Current portion | | 4,016,650 | 3,000,000 |
| Non-current portion | | <u>13,504,229</u> | <u>9,054,912</u> |
| | | <u>17,520,879</u> | <u>12,054,912</u> |

During the year ended December 31, 2021, the Company received funding from the Shareholder of USD 1,090,000 (AED 4,016,650) with no fixed maturity. The Company has committed to repay the interest on a monthly basis against invoices issued by the Shareholder. These loans from related parties are unsecured and carry interest of 2% per annum.



Notes to the financial statements
For the year ended December 31, 2021

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

8.3 The movements in loans from related parties during the year were as follows:

| | 2021 | 2020 |
|--------------------------------------|-------------------|-------------------|
| | AED | AED |
| Balance at the beginning of the year | 12,054,912 | 15,183,428 |
| Loan obtained during the year | 4,016,650 | - |
| Loans received/(repaid) | 1,223,428 | (3,250,000) |
| Accretion of interest | 225,889 | 268,190 |
| Interest paid | - | (146,706) |
| Balance at the end of the year | <u>17,520,879</u> | <u>12,054,912</u> |

8.4 Due to related parties Relationship

| | | | |
|------------------------------------|---------------|------------------|----------------|
| ECU Line Middle East L.L.C, U.A.E. | Group Company | - | 4,200 |
| ECU Hold N.V., Belgium | Shareholder | 3,366,337 | 332,209 |
| | | <u>3,366,337</u> | <u>336,409</u> |

The due to related party balances are interest-free with no set terms of repayment or security.

| | 2021 | 2020 |
|--|------------------|------------------|
| | AED | AED |
| 8.5 Related party balances included under accounts receivable (note 6) | <u>182,876</u> | <u>308,121</u> |
| Related party balances included under accounts payable (note 10) | <u>6,955,446</u> | <u>1,587,900</u> |

8.6 Transactions with related parties during the year were as follows:

| | 2021 | 2020 |
|---|-------------------|--------------------|
| | AED | AED |
| Direct costs | <u>29,867,663</u> | <u>8,193,982</u> |
| Loan obtained | <u>4,016,650</u> | <u>-</u> |
| Loans received/(repaid) | <u>1,223,428</u> | <u>(3,250,000)</u> |
| Revenue (note 13) | <u>1,803,798</u> | <u>1,636,174</u> |
| Interest on loans from related parties | <u>225,889</u> | <u>268,190</u> |
| Property and equipment transferred from related party, net (note 9) | <u>3,799</u> | <u>-</u> |

9 PROPERTY AND EQUIPMENT

| | Computer equipment | Furniture and fixtures | Office equipment | Motor vehicles | Total |
|---|--------------------|------------------------|------------------|----------------|----------------|
| | AED | AED | AED | AED | AED |
| 9.1 Cost | | | | | |
| As at January 1, 2020 | 195,896 | 193,577 | 92,541 | 162,101 | 644,115 |
| Additions | 23,990 | 4,810 | 2,184 | 69,540 | 100,524 |
| As at December 31, 2020 | <u>219,886</u> | <u>198,387</u> | <u>94,725</u> | <u>231,641</u> | <u>744,639</u> |
| Additions | 13,175 | 7,439 | - | - | 20,614 |
| Transferred from related party (note 8) | 5,700 | - | - | - | 5,700 |
| As at December 31, 2021 | <u>238,761</u> | <u>205,826</u> | <u>94,725</u> | <u>231,641</u> | <u>770,953</u> |

ALLCARGO LOGISTICS L.L.C

Dubai - United Arab Emirates

Notes to the financial statements

For the year ended December 31, 2021

9 PROPERTY AND EQUIPMENT (continued)

| | Computer equipment | Furniture and fixtures | Office equipment | Motor vehicles | Total |
|--|-----------------------|---------------------------|---------------------|-------------------|---------|
| | AED | AED | AED | AED | AED |
| 9.2 Accumulated depreciation | | | | | |
| As at January 1, 2020 | 95,141 | 88,831 | 32,664 | 45,271 | 261,907 |
| Charge for the year (note 16) | 53,587 | 49,153 | 23,567 | 49,611 | 175,918 |
| As at December 31, 2020 | 148,728 | 137,984 | 56,231 | 94,882 | 437,825 |
| Charge for the year (note 16) | 51,158 | 39,245 | 23,652 | 57,912 | 171,967 |
| Transferred from related party (note 8) | 1,901 | | | | 1,901 |
| As at December 31, 2021 | 201,787 | 177,229 | 79,883 | 152,794 | 611,693 |
| 9.3 Net book values | | | | | |
| As at December 31, 2021 | 36,974 | 28,597 | 14,842 | 78,847 | 159,260 |
| As at December 31, 2020 | 71,158 | 60,403 | 38,494 | 136,759 | 306,814 |

9.4 Assets costing AED 219,065 (2020: AED 35,726) were fully depreciated as at the year-end.

10 ACCOUNTS PAYABLE

| | 2021 AED | 2020 AED |
|---|-------------------|------------------|
| Accounts payable - non-related parties | 7,514,449 | 8,243,500 |
| Accounts payable - related parties (note 8.5) | 6,955,446 | 1,587,900 |
| | <u>14,469,895</u> | <u>9,831,400</u> |

11 OTHER PAYABLES

| | 2021 AED | 2020 AED |
|--------------------------------------|-------------------|------------------|
| Accrued expenses - import and export | 38,088,888 | 618,737 |
| Deferred revenue | 237,852 | 27,386 |
| Other accrued expenses | 402,965 | 769,095 |
| | <u>38,729,705</u> | <u>1,415,218</u> |

12 EMPLOYEES' END-OF-SERVICE BENEFITS

| | 2021 AED | 2020 AED |
|--------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 567,553 | 326,368 |
| Provided for the year | 253,422 | 250,246 |
| Payments during the year | (9,677) | (9,061) |
| Balance at the end of the year | <u>811,298</u> | <u>567,553</u> |

13 REVENUE

| | 2021 AED | 2020 AED |
|---|--------------------|-------------------|
| Operational revenues - exports zero rated | 117,126,557 | 32,869,602 |
| Operational revenues - imports zero rated | 67,153,131 | 40,200,783 |
| Operational revenues - exports - related parties (note 8.6) | 1,194,676 | 816,788 |
| Operational revenues - imports - related parties (note 8.6) | 609,122 | 819,386 |
| | <u>186,083,486</u> | <u>74,706,559</u> |

Revenue is recognised at a point in time as the Company satisfies performance obligations by providing the promised services to its customers.



ALLCARGO LOGISTICS L.L.C

Dubai - United Arab Emirates

Notes to the financial statements

For the year ended December 31, 2021

| | | | |
|-----------|---|--------------------|-------------------|
| 14 | DIRECT COSTS | 2021 | 2020 |
| | | AED | AED |
| | Export documentation and freight charges | 116,504,916 | 28,314,641 |
| | Import documentation and freight charges | 59,451,800 | 35,388,518 |
| | | <u>175,956,716</u> | <u>63,703,159</u> |
| 15 | OTHER INCOME | 2021 | 2020 |
| | | AED | AED |
| | Credit for freight handling | 737,000 | - |
| | Other income | 165,570 | 370,574 |
| | | <u>902,570</u> | <u>370,574</u> |
| 16 | GENERAL AND ADMINISTRATIVE EXPENSES | 2021 | 2020 |
| | | AED | AED |
| | Salaries and benefits | 9,654,034 | 8,273,900 |
| | Professional and other fees | 574,442 | 259,602 |
| | Rent - short-term | 429,131 | 411,751 |
| | Communications | 299,524 | 286,873 |
| | Depreciation (note 9) | 173,868 | 188,353 |
| | Bank charges | 95,706 | 121,405 |
| | Travelling and conveyance | 56,072 | 123,652 |
| | Insurance | 6,292 | 5,881 |
| | Others | 251,142 | 163,656 |
| | | <u>11,540,211</u> | <u>9,835,073</u> |
| 17 | COMMITMENTS AND CONTINGENCIES | | |
| 17 | Capital and operating expenditure commitments | | |
| | The Company did not have any capital or operating expenditure commitments as at the reporting date. The rent agreement is renewable on an annual basis. | | |
| 17 | Contingent liabilities | 2021 | 2020 |
| | | AED | AED |
| | Labour guarantees | 97,100 | 83,900 |
| | Payment and performance guarantees - secured (note 7.2.). | 592,000 | 392,000 |
| 18 | RISK MANAGEMENT | | |
| | Interest rate risk | | |
| | Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to interest rate risk as there were no variable interest-bearing assets or liabilities (loans from related parties are on fixed rate terms) as at the reporting date. | | |



18 RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss and is limited to the carrying values of financial assets in the statement of financial position.

| The Company was exposed to credit risk on the following balances: | 2021 | 2020 |
|---|-------------------|-------------------|
| | AED | AED |
| Cash at banks (note 5) | 4,866,023 | 5,190,118 |
| Accounts receivable, net (note 6) | 65,652,291 | 16,165,948 |
| Other receivables (excluding advances to suppliers and employees, deferred charges and prepaid expenses) (note 7) | 860,996 | 618,382 |
| Due from related party (note 8.1) | 2,695,764 | 1,210,728 |
| | <u>74,075,074</u> | <u>23,185,176</u> |

The Company seeks to limit its credit risk with respect to banks by dealing with reputable banks only.

Credit risks related to accounts receivable are managed subject to the Company's policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria and the credit quality of customers is assessed by management. Outstanding receivables are regularly monitored, recognising a provision considering the lifetime expected losses as per IFRS 9. The Company does not hold collateral as security.

Other receivables are with parties with good credit ratings, hence the risk is minimal.

Due from related party represent minimal credit risk, as this will be recovered from one of the Shareholders in the unlikely event of default.

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient funds to meet its liabilities as they fall due. The Company limits its liquidity risk by managing its cash flows and ensuring that funds from one of the Shareholders are available as required.

The Company's terms of contract require amounts to be paid within 90 days from the date of invoice.

The table below summarises the maturities of the Company's financial liabilities at the maturity date.

| | Less than 1 year AED | More than 1 year AED | Total AED |
|---|----------------------------|----------------------------|-------------------|
| 2021 | | | |
| Accounts payable (note 10) | 14,469,895 | - | 14,469,895 |
| Other payables (excluding deferred revenue) (note 11) | 38,491,853 | - | 38,491,853 |
| Due to related parties (note 8.4) | 3,366,337 | - | 3,366,337 |
| Loans from related parties (note 8.2) | 4,016,650 | 13,504,229 | 17,520,879 |
| | <u>60,344,735</u> | <u>13,504,229</u> | <u>73,848,964</u> |
| 2020 | | | |
| Accounts payable (note 10) | 9,831,400 | - | 9,831,400 |
| Other payables (excluding deferred revenue) (note 11) | 1,387,832 | - | 1,387,832 |
| Due to related parties (note 8.4) | 336,409 | - | 336,409 |
| Loans from related parties (note 8.2) | 3,000,000 | 9,054,912 | 12,054,912 |
| | <u>14,555,641</u> | <u>9,054,912</u> | <u>23,610,553</u> |

18 RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that fair value or cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk mainly arises from future contractual transactions of receivables and payables that exist due to transactions in foreign currencies.

Most of the Company's transactions are carried out in AED and USD. As the AED is pegged to the USD, there is no foreign currency risk involved with regard to the USD.

19 EFFECTS OF THE COVID PANDEMIC

In 2020, a corona virus pandemic affecting the global and U.A.E. economies broke out. This has severely affected and adversely impacted not only the financial, commercial, and economic transactions but also the distribution, production and supply chains worldwide. The liquidity, solvency and existence of business entities have come under severe stress. However during the year, given the nature of business activity, the COVID-19 pandemic had not impacted the current year operations, however might have adverse impact on the business, including employees, customers, partners, and communities, and there still remains substantial uncertainty in the nature and degree of its continued effects in the near future. The extent to which the COVID-19 pandemic continues to impact the business going forward will depend on numerous evolving factors that cannot be reliably predicted, including its duration, and the governmental, business and individuals' actions in response to the pandemic. The overall impact on sectors and industries specifically impacted and the economic activity in general still cannot be measured and determined. These factors may adversely impact consumer, business, and government spending in the economy and on the customers' ability to continue to pay for products and services on an ongoing basis.

20 EVENTS AFTER THE REPORTING DATE

In February 2022, Russia's invasion of Ukraine with the possibility of other nations also getting embroiled in this raging conflict, has led to an adverse impact on production and supply chains of businesses to varying degrees, including but not limited to oil & gas, banking, food, transportation, travel and other commercial operations. As a consequence, the liquidity, solvency and existence of business entities has come under varying degrees of stress, and it is not possible to reliably estimate the impact of this crisis on the Company's future financial and operational condition.

There have been no other material events occurring after the reporting date that require adjustment to, or disclosure in, the financial statements.