

# **ALLCARGO LOGISTICS L.L.C**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

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

Financial statements for the year ended December 31, 2022

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## MANAGER'S REPORT

The Manager presents his report and the financial statements of Allcargo Logistics L.L.C (the "Company") for the year ended December 31, 2022.

## 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 to act as ship chandlers and sea shipping lines agents.

## FINANCIAL REVIEW

The table below summarises the financial results:

	2022 AED	2021 AED
Revenue	241,094,813	186,083,486
Gross profit	18,992,061	10,126,770
Gross profit margin	7.88%	5.44%
Profit for the year	2,749,790	117,562

## AUDITORS

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

## EVENTS AFTER THE YEAR-END

In the opinion of the Manager, 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.

## STATEMENT OF MANAGER'S 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 Manager confirms 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 enables him to ensure that the financial statements comply with the requirements of the applicable statute. The Manager also confirms 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 of Directors and signed on its behalf by the authorised representative of the Company on 31.12.2022, 2023.

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty  
Manager



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## 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, 2022, 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, 2022, 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 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.

#### Emphasis of Matter

We draw attention to note 21 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, if any, due to the uncertainties involved.

Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprises the information in the Manager's Report. 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 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 the provisions of U.A.E. Federal Decree Law No. (32) of 2021 on Commercial Companies (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

## 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)

- 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 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, 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 Manager's Report is consistent with the books of account of the Company;
5. there were no investments made in shares and stock during the financial year;
6. note 9 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, 2022 any of the applicable provisions of the Federal Law or its MOA which would materially affect its financial position as at December 31, 2022 or the results of its operations for the year then ended.

**BAKER TILLY MKM**  
Chartered Accountants

N.A

Neil Andrew Sturgeon  
Senior Partner  
ELA Number 1261  
Dubai, United Arab Emirates



Date: 31 MAR, 2023



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

Statement of financial position  
As at December 31, 2022

	Note	2022 AED	2021 AED
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	7,533,373	5,030,067
Accounts receivable	7	33,596,354	63,802,864
Other receivables	8	5,170,643	3,911,780
Due from related party	9.1	-	2,695,764
		<u>46,300,370</u>	<u>75,440,475</u>
<b>Non-current assets</b>			
Property and equipment	10.3	127,241	159,260
<b>TOTAL ASSETS</b>		<u>46,427,611</u>	<u>75,599,735</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Loans from related parties	9.2	2,038,507	4,016,650
Due to related party	9.4	1,374,570	3,366,337
Accounts payable	11	17,690,898	14,469,895
Other payables	12	7,502,935	38,729,705
		<u>28,606,910</u>	<u>60,582,587</u>
<b>Non-current liabilities</b>			
Loans from related parties	9.2	13,106,270	13,504,229
Employees' end-of-service benefits	13	1,263,020	811,298
		<u>14,369,290</u>	<u>14,315,527</u>
<b>Total liabilities</b>		<u>42,976,200</u>	<u>74,898,114</u>
<b>Equity</b>			
Share capital	2	300,000	300,000
Statutory reserve		150,000	150,000
Retained earnings		3,001,411	251,621
<b>Total equity</b>		<u>3,451,411</u>	<u>701,621</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>46,427,611</u>	<u>75,599,735</u>

The accompanying notes 1 to 22 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 2 to 4.

The financial statements were authorised for issue on 31 MAR, 2023 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, 2022

	Note	2022 AED	2021 AED
Revenue	14	241,094,813	186,083,486
Direct costs	15	(222,102,752)	(175,956,716)
Gross profit		18,992,061	10,126,770
Other income	16	128,037	902,570
Expected credit losses allowance written back	7.4	-	1,106,153
Allowance for expected credit losses on accounts receivable	7.4	(544,730)	(251,831)
General and administrative expenses	17	(15,520,768)	(11,540,211)
Finance costs	9.3	(304,810)	(225,889)
Profit for the year		2,749,790	117,562
Other comprehensive income		-	-
Total comprehensive income for the year		2,749,790	117,562

The accompanying notes 1 to 22 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 2 to 4.





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

Statement of cash flows

For the year ended December 31, 2022

		2022	2021
	Note	AED	AED
Cash flows from operating activities			
Profit for the year		2,749,790	117,562
Adjustments for:			
Allowances for expected credit losses on accounts receivable	7.4	544,730	251,831
Expected credit loss allowance written back	7.4	-	(1,106,153)
Finance costs	9.3	304,810	225,889
Depreciation of property and equipment	10.2	120,858	171,967
Provision for employees' end-of-service benefits	13	498,036	253,422
Operating income/(loss) before working capital changes		4,218,224	(85,482)
Decrease/(increase) in accounts receivable		29,661,780	(48,632,021)
(Increase) in other receivables		(1,258,863)	(188,080)
Movement in related parties balance, net		703,997	1,541,093
Increase in accounts payable		3,221,003	4,638,495
(Decrease)/increase in other payables		(31,226,770)	37,314,487
Cash generated from/(used in) operations		5,319,371	(5,411,508)
Employees' end-of-service benefits paid	13	(46,314)	(9,677)
Net cash generated from/(used in) operating activities		5,273,057	(5,421,185)
Cash flows from investing activities			
Acquisition of property and equipment	10.1	(88,839)	(20,614)
Net cash (used in) investing activities		(88,839)	(20,614)
Cash flows from financing activities			
Loan (repaid)/received from related parties	9.3	(2,579,500)	5,240,078
Interest paid to related parties	9.3	(101,412)	-
Net cash (used in)/generated from financing activities		(2,680,912)	5,240,078
Net increase/(decrease) in cash and cash equivalents		2,503,306	(201,721)
Cash and cash equivalents at the beginning of the year		5,030,067	5,231,788
Cash and cash equivalents at the end of the year	6	7,533,373	5,030,067
Non-cash transaction:			
Finance costs charged by related parties and credited to loans from related parties		203,398	225,889

The accompanying notes 1 to 22 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 2 to 4.



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

Statement of changes in equity  
For the year ended December 31, 2022

	Share capital AED	Statutory reserve AED	Retained earnings AED	Total AED
As at January 1, 2021	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
Total comprehensive income for the year	-	-	2,749,790	2,749,790
As at December 31, 2022	300,000	150,000	3,001,411	3,451,411

The accompanying notes 1 to 22 form an integral part of these financial statements.

The report of the independent auditor is set out on pages 2 to 4.



## 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, 2023.
- 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, 2023. 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 to act 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.
- f) 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).

## 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 is held between:

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

## 3 BASIS FOR PREPARATION

### a) Statement of compliance

The financial statements are 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 the requirements of the U.A.E Federal Decree-Law No (32) on Commercial Companies of 2021.

### b) Accounting convention

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

### c) Functional and presentation currency

The functional and reporting currency of the Company is U.A.E Dirham "AED" as most of the transactions are carried out in AED.





### 3 BASIS FOR PREPARATION (continued)

#### 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, 2022:

#### New standards, improvements, interpretations and amendments

- |                        |   |
|------------------------|---|
| • Amendments to IAS 37 | Provisions, Contingent Liabilities and Contingent Assets                    |
| • Amendments to IAS 16 | Property, Plant and Equipment   |
| • Annual Improvements  | IFRS Standards 2018-2020 Cycle  |
|                        | ▪ IFRS 1 First-time Adoption of International Financial Reporting Standards |
|                        | ▪ IFRS 9 Financial Instruments  |

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, 2022.

#### 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, 2022.

- |   |   |
|---|---|
| • Amendments to IAS 1 and IFRS Practise Statement 2 | Presentation of Financial Statements - Disclosure of Accounting Policies and Making Materiality Judgements (January 1, 2023)  |
| • Amendments to IAS 8                               | Accounting Policies, Changes in Accounting Estimates and Errors - Accounting Estimates (January 1, 2023)  |
| • Amendments to IAS 12                              | Income Taxes (January 1, 2023) - such amendments will automatically apply when IAS 12 becomes applicable - see below:<br>Pursuant to the UAE introducing corporate income taxes for accounting periods commencing on or after June 1, 2023, the Company will have to implement IAS 12 Income Taxes with effect from January 1, 2024. Management is currently determining the financial impact that this Standard will have on the balances and results of the Company. Introduction of this Standard will be on a prospective basis, and accordingly no restatement of prior periods including the year ended December 31, 2022 will be effected. |
| • IFRS 17 and amendments thereto                    | Insurance Contracts (January 1, 2023)   |
| • Amendments to IFRS 16                             | Leases - Sale & Leaseback (January 1, 2024)   |
| • Amendments to IAS 1                               | Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current (January 1, 2024)  |

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 period of their initial application.

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies which have been applied consistent is set out below:



#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### a) 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 instruments 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 expenses (except for expected credit loss ("ECL") allowance for accounts receivable and which is shown separately on the statement of comprehensive income) relating to financial instruments that are recognised in the statement of comprehensive income are presented within finance costs or general and administrative expenses, as appropriate.

##### 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 rate method.

The Company's cash and cash equivalents, accounts receivable, other receivables (excluding deferred charges, prepaid expenses and advances to suppliers and staff and VAT recoverable, net) fall into this category of financial instruments.

##### Financial liabilities at amortised cost

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

##### b) Cash and cash equivalents

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





#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### c) Accounts receivable

Accounts receivable are stated gross at original invoice amount less an allowance for expected credit losses (ECLs) as per IFRS 9. Receivables 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 takes into account 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 7 for an analysis of how the ECL requirements of IFRS 9 are applied).

##### d) Other receivables

Other receivables consist of contract assets, deferred charges, advances to suppliers, staff advances, deposits, prepaid expenses and VAT recoverable, (net). These are carried at amounts expected to be received whether through cash or services less provision 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.

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

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

##### e) 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, Parent Company, 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.

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

##### f) 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.

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").



#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### f) Impairment of financial assets (continued)

"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.

##### g) 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.

##### h) 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 estimated residual values, if any, over their estimated useful lives as follows:

##### Assets

	<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.

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.



#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### i) 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.

##### j) 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.

##### k) Other payables

Other payables consist of accrued expenses - import and export, contract liabilities, and other accrued expenses.

Contract liabilities 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 services received or incurred during a period for which the suppliers' invoices have not been received as at the reporting date.

##### l) 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.

##### m) 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.

##### n) Statutory reserve

As per the provisions of the Federal Law, 5% of the net profit per annum is required to be transferred to a statutory reserve until such reserve equals 50% of the paid-up share capital of the Company. As per the previous Federal Law, the amount to be transferred was 10% of the net profit per annum. Having attained this limit, transfers have ceased. This reserve is not available for distribution to the shareholders.

##### o) 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.



#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### p) 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 model 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.

The Company assesses each of its contracts with customers and determines whether performance obligations are satisfied at a point in time or over a period of time in order to determine the appropriate method of recognising revenue.

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 of 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 rebates received from various suppliers during the year.

##### q) Expenses

Direct costs include all costs directly attributable to the generation of revenue include export, import documentation, freight charges, and other direct costs. All other expenses are classified as general and administrative expenses or finance costs, as appropriate other than the allowance for the expected credit losses which are presented separately in the statement of comprehensive income.

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.

##### r) 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 as at the reporting date. Gains and losses from foreign exchange transactions are taken to the statement of comprehensive income.





## 5 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 receivables 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 receivables 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 recognises revenue at a point of time when the performance obligations are satisfied following the 5-step model 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.



Notes to the financial statements  
For the year ended December 31, 2022

6	CASH AND CASH EQUIVALENTS	2022 AED	2021 AED
	Cash in hand	67,784	164,044
	Cash at banks	7,465,589	4,866,023
		<u>7,533,373</u>	<u>5,030,067</u>
7	ACCOUNTS RECEIVABLE	2022 AED	2021 AED
	Accounts receivable - third party	34,148,091	64,091,724
	Accounts receivable - related parties (note 9.5)	153,302	182,876
		<u>34,301,393</u>	<u>64,274,600</u>
	Allowance for expected credit losses on accounts receivable (note 7.4)	(705,039)	(471,736)
	Accounts receivable, net	<u>33,596,354</u>	<u>63,802,864</u>

7.1 Accounts receivable are non-interest bearing and are generally on 90 days credit terms (refer to note 19 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 receivables are unsecured.

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

	Total AED	Not past due		Past due	
		0 - 90 days AED	91 - 120 days AED	121 - 180 days AED	>180 days AED
2022	34,301,393	29,804,182	2,805,485	1,117,279	574,447
2021	64,274,600	61,259,584	1,856,556	553,037	605,423

7.3 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 customers 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.





**7 ACCOUNTS RECEIVABLE(continued)**

7.4 The movement in allowance for expected credit losses on account receivables is as follows:

	2022	2021
	AED	AED
Balance as at the beginning of the year	471,736	1,433,754
Provision for the year	544,730	251,831
Receivables written off	(311,427)	(107,696)
Provisions written back/(reversal)	-	(1,106,153)
Balance as at the end of the year	<u>705,039</u>	<u>471,736</u>

**8 OTHER RECEIVABLES**

	2022	2021
	AED	AED
Contract assets	2,336,418	1,849,427
Deposits (note 8.2)	939,453	841,553
Advances to suppliers	703,861	-
Deferred charges (note 8.1)	619,865	867,825
Prepaid expenses	438,474	308,058
Staff advances	44,908	25,474
VAT recoverable (net)	87,664	19,443
	<u>5,170,643</u>	<u>3,911,780</u>

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

8.2 Deposits include AED 550,000 (2021: AED 550,000) for Dubai Custom Authority guarantee and International Air Transport Association guarantees of AED 92,000 (2021: AED 92,000) under lien with banks as at the reporting date (note 18.2).

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

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

9.1 Due from related party	Relationship	2022	2021
		AED	AED
Allcargo Logistics FZE, U.A.E.	Fellow subsidiary	<u>-</u>	<u>2,695,764</u>
<b>9.2 Loans from related parties</b>			
ECU Hold N.V., Belgium (a)	Shareholder	5,074,261	7,640,360
Ecuhold N.V. (Jebel Ali Branch), U.A.E (b)	Fellow subsidiary	10,070,516	9,880,519
		<u>15,144,777</u>	<u>17,520,879</u>
Current portion		2,038,507	4,016,650
Non-current portion		13,106,270	13,504,229
		<u>15,144,777</u>	<u>17,520,879</u>

(a) The Company has committed to repay the interest on a monthly basis against invoices issued by the Shareholder. These loans from shareholder are unsecured and carry interest of 2% per annum.





9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) The loans from fellow subsidiary represents a long term-loan with no fixed repayment schedule and carries interest of 2% per annum.

9.3 The movement in loans from related parties was as follows:

	2022 AED	2021 AED
Balance at the beginning of the year	17,520,879	12,054,912
Loans (repaid)/received during the year (note 9.6)	(2,579,500)	5,240,078
Accretion of interest (note 9.6)	304,810	225,889
Interest paid	(101,412)	-
Balance at the end of the year	<u>15,144,777</u>	<u>17,520,879</u>

9.4 Due to related party	Relationship		
ECU Hold N.V., Belgium	Shareholder	<u>1,374,570</u>	<u>3,366,337</u>

The due to shareholder balance is interest-free and with no set terms of repayment or security.

9.5 Related party balances included under accounts receivable (note 7)	<u>153,302</u>	<u>182,876</u>
Related party balances included under accounts payable (note 11)	<u>677,193</u>	<u>6,955,446</u>

9.6 Transactions with related parties were as follows:

Direct costs	<u>38,927,963</u>	<u>29,867,663</u>
Loans (repaid)/received (note 9.3)	<u>(2,579,500)</u>	<u>5,240,078</u>
Revenue (note 14)	<u>3,958,381</u>	<u>1,803,798</u>
Interest on loans from related parties (note 9.3)	<u>304,810</u>	<u>225,889</u>
Property and equipment (NBV) transferred from related party, net (note 10.1)	<u>-</u>	<u>3,799</u>

10 PROPERTY AND EQUIPMENT	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
10.1 Cost	AED	AED	AED	AED	AED
As at January 1, 2021	219,886	198,387	94,725	231,641	744,639
Additions	13,175	7,439	-	-	20,614
Transferred from related party	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>
Additions	23,195	28,920	20,050	16,674	88,839
As at December 31, 2022	<u>261,956</u>	<u>234,746</u>	<u>114,775</u>	<u>248,315</u>	<u>859,792</u>



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10 PROPERTY AND EQUIPMENT (continued)

	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	AED	AED	AED	AED	AED
10.2 Accumulated depreciation					
As at January 1, 2021	148,728	137,984	56,231	94,882	437,825
Charge for the year (note 17)	51,158	39,245	23,652	57,912	171,967
Transferred from related party (note 9)	1,901	-	-	-	1,901
As at December 31, 2021	201,787	177,229	79,883	152,794	611,693
Charge for the year (note 17)	32,598	21,735	14,695	51,830	120,858
As at December 31, 2022	234,385	198,964	94,578	204,624	732,551
10.3 Net book value					
As at December 31, 2022	27,571	35,782	20,197	43,691	127,241
As at December 31, 2021	36,974	28,597	14,842	78,847	159,260

11 ACCOUNTS PAYABLE	2022	2021
	AED	AED
Accounts payable - third parties	17,013,705	7,514,449
Accounts payable - related parties (note 9.5)	677,193	6,955,446
	<u>17,690,898</u>	<u>14,469,895</u>

12 OTHER PAYABLES	2022	2021
	AED	AED
Accrued expenses - import and export	5,111,172	38,088,888
Contract liabilities	178,665	237,852
Other accrued expenses	2,213,098	402,965
	<u>7,502,935</u>	<u>38,729,705</u>

13 EMPLOYEES' END-OF-SERVICE BENEFITS	2022	2021
	AED	AED
Balance at the beginning of the year	811,298	567,553
Provided for the year	498,036	253,422
Paid during the year	(46,314)	(9,677)
Balance at the end of the year	<u>1,263,020</u>	<u>811,298</u>

14 REVENUE	2022	2021
	AED	AED
Revenue from third parties	237,136,432	184,279,688
Revenue from related parties	3,958,381	1,803,798
	<u>241,094,813</u>	<u>186,083,486</u>

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





15	DIRECT COSTS	2022 AED	2021 AED
	Export documentation and freight charges	126,432,425	116,504,916
	Import documentation and freight charges	95,670,327	59,451,800
		<u>222,102,752</u>	<u>175,956,716</u>
16	OTHER INCOME	2022 AED	2021 AED
	Credit for freight handling	-	737,000
	Other income	128,037	165,570
		<u>128,037</u>	<u>902,570</u>
17	GENERAL AND ADMINISTRATIVE EXPENSES	2022 AED	2021 AED
	Salaries and benefits	13,132,206	9,654,034
	Professional and other fees	1,004,501	574,442
	Rent - short-term lease	466,938	429,131
	Communications	317,364	299,524
	Travelling and conveyance	202,943	56,072
	Depreciation of property and equipment (note 10)	120,858	171,967
	Bank charges	113,248	95,706
	Insurance	57,152	6,292
	Others	105,558	253,043
		<u>15,520,768</u>	<u>11,540,211</u>
18	COMMITMENTS AND CONTINGENCIES		
18.1	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.		
18.2	Contingent liabilities	2022 AED	2021 AED
	Dubai Customs Authority guarantee (note 8.2)	550,000	550,000
	International Air Transport Association guarantees (IATA) (note 8.2)	<u>92,000</u>	<u>92,000</u>
19	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.		

19 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:

	2022	2021
	AED	AED
Cash at banks (note 6)	7,465,589	4,866,023
Accounts receivable, net (note 7)	33,596,354	63,802,864
Other receivables (excluding advances to suppliers, staff advances, deferred charges, prepaid expenses and VAT recoverable, net) (note 8)	3,275,871	2,690,980
Due from related party (note 9.1)	-	2,695,764
	<u>44,337,814</u>	<u>74,055,631</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. The Company does not hold collateral as security.

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

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	More than 1 year	Total
	AED	AED	AED
2022			
Accounts payable (note 11)	17,690,898	-	17,690,898
Other payables (excluding contract liabilities (note 12)	7,324,270	-	7,324,270
Due to related party (note 9.4)	1,374,570	-	1,374,570
Loans from related parties (note 9.2)	2,038,507	13,106,270	15,144,777
	<u>28,428,245</u>	<u>13,106,270</u>	<u>41,534,515</u>
2021			
Accounts payable (note 11)	14,469,895	-	14,469,895
Other payables (excluding contract liabilities (note 12)	38,491,853	-	38,491,853
Due to related party (note 9.4)	3,366,337	-	3,366,337
Loans from related parties (note 9.2)	4,016,650	13,504,229	17,520,879
	<u>60,344,735</u>	<u>13,504,229</u>	<u>73,848,964</u>





**19 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.

**20 FAIR VALUES**

The management assesses the fair values of all its financial assets and financial liabilities at each reporting date. The fair values of cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables, due to related party and loans from related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value of non-current loan from related parties is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities. As at the reporting date, the carrying amount of such liabilities are not materially different from the fair values.

**21 SIGNIFICANT EVENT**

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 and gas, banking, food, transportation, travel and other commercial operations. As a consequence, the liquidity, solvency and existence of business entities have come under varying degrees of stress, it is not possible to reliably estimate the impact of this crisis on the Company's future financial and operational condition, if any, due to the uncertainties involved.

**22 EVENTS AFTER THE REPORTING DATE**

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

