

ECU LINE - ABU DHABI (L.L.C)

FINANCIAL STATEMENTS

DECEMBER 31, 2022

ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

Financial statements for the year ended December 31, 2022

| Table of contents | Page Number |
|-----------------------------------|-------------|
| Managing Director's 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 | 10-23 |

MANAGING DIRECTORS' REPORT

The Directors present their report and financial statements of ECU Line – Abu Dhabi L.L.C (the “Company”) for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is licensed to provide shipment services on containers loading and offloading services, goods air and marine and customs clearance.

FINANCIAL REVIEW

The table below summarises the financial results:

| | 2022 | 2021 |
|---------------------|-----------|-----------|
| | AED | AED |
| Revenues | 6,949,682 | 4,056,393 |
| Gross profit | 1,119,357 | 926,610 |
| Gross profit margin | 16.11% | 22.84% |
| Loss for the year | (72,861) | (18,668) |

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.

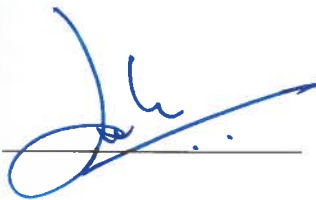
EVENTS AFTER THE YEAR-END

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.

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 positions 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 28 APR, 2023.



Mr. Don Varuna Wirasinha

Managing Director



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: ٧٢٤٨ ٣٦٩ ٤ +٩٧١، فاكس: ٧١٩٣ ٣٦٩ ٤ +٩٧١
البريد الإلكتروني: info@bakertillyjfc.com
الموقع الإلكتروني: www.bakertillymkm.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE - ABU DHABI (L.L.C)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ECU Line - Abu Dhabi (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 19 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 Managing Director's Report set out on page 1. 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
ECU LINE - ABU DHABI (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 and for their compliance with the applicable provisions of the 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
- 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ECU LINE - ABU DHABI (L.L.C) (continued)**

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 Managing Director's 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 10 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 year ended December 31, 2022 any of the applicable provisions of the Federal Law, or of its MOA, which would materially affect its activities or its financial position as at December 31, 2022 or the results of its operations for the year then ended. Further, the accumulated losses of the Company exceeded half of its share capital, and as required by Article 308 of the Federal Law, the Managing Director of the Company referred the dissolution matter to the General Assembly of Shareholders and it was resolved to continue the operations of the Company with continued financial support from the shareholders.

BAKER TILLY MKM

Chartered Accountants

Neil Andrew Sturgeon

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



Date: 28 APR, 2023

ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

Statement of financial position
As at December 31, 2022

| | Note | 2022 AED | 2021 AED |
|-------------------------------------|------|-------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 100,171 | 91,574 |
| Accounts receivable | 7 | 1,756,552 | 402,658 |
| Other receivables | 8 | 919,442 | 484,036 |
| | | <u>2,776,165</u> | <u>978,268</u> |
| Non-current assets | | | |
| Property and equipment | 9 | 4,976 | 3,790 |
| Total assets | | <u><u>2,781,141</u></u> | <u><u>982,058</u></u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Due to related parties | 10.1 | 1,561,002 | 258,107 |
| Accounts and other payables | 11 | 927,426 | 395,768 |
| | | <u>2,488,428</u> | <u>653,875</u> |
| Non-current liabilities | | | |
| Employees' end-of-service benefits | 12 | 201,747 | 164,356 |
| Total liabilities | | <u><u>2,690,175</u></u> | <u><u>818,231</u></u> |
| Equity | | | |
| Share capital | 2 | 150,000 | 150,000 |
| Statutory reserve | | 75,000 | 75,000 |
| (Accumulated losses) | | (134,034) | (61,173) |
| Total equity | | <u><u>90,966</u></u> | <u><u>163,827</u></u> |
| Total liabilities and equity | | <u><u>2,781,141</u></u> | <u><u>982,058</u></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 by the shareholders for issuance on 28 APR, 2023 and signed on their behalf by:


Mr. Don Yaruna Wirasinha
Managing Director



ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

Statement of comprehensive income
For the year ended December 31, 2022

| | Note | 2022 AED | 2021 AED |
|--|------|-------------|-------------|
| Revenue | 13 | 6,949,682 | 4,056,394 |
| Direct costs | 14 | (5,830,325) | (3,129,782) |
| Gross profit | | 1,119,357 | 926,612 |
| Allowance for expected credit losses for accounts receivable | 7.3 | (24,000) | (21,999) |
| General and administrative expenses | 15 | (1,168,218) | (923,281) |
| (Loss) for the year | | (72,861) | (18,668) |
| Other comprehensive income | | - | - |
| Total comprehensive (loss) for the year | | (72,861) | (18,668) |

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.



ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

Statement of cash flows
For the year ended December 31, 2022

| | Note | 2022 AED | 2021 AED |
|--|------|-------------|-------------|
| Cash flows from operating activities | | | |
| (Loss) for the year | | (72,861) | (18,668) |
| Adjustments for: | | | |
| Allowance for expected credit losses for accounts receivable | 7.3 | 24,000 | 21,999 |
| Provision for employees' end-of-service benefits | 12 | 37,391 | 25,420 |
| Depreciation of property and equipment | 15 | 1,579 | 3,026 |
| Operating (loss)/profit before working capital changes | | (9,891) | 31,777 |
| (Increase)/decrease in accounts receivables | | (1,377,894) | 474,221 |
| (Increase)/decrease in other receivable | | (435,406) | 26,579 |
| Movement in related parties balances, net | | 1,302,895 | (230,863) |
| Increase/(decrease) in accounts and other payables | | 531,658 | (258,662) |
| Cash flows from operating activities | | 11,362 | 43,052 |
| Employees' end-of-service benefits paid | 12 | - | (18,904) |
| Net cash generated from operating activities | | 11,362 | 24,148 |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | 9.1 | (2,765) | (2,050) |
| Net cash used in investing activities | | (2,765) | (2,050) |
| Net increase in cash and cash equivalents | | 8,597 | 22,098 |
| Cash and cash equivalents at the beginning of the year | | 91,574 | 69,476 |
| Cash and cash equivalents at the end of the year | 6 | 100,171 | 91,574 |
| Non-cash transaction: | | | |
| Transfer of property and equipment to related party | 9.1 | - | 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.



ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

| | Share capital AED | Statutory reserve AED | (Accumulated losses) AED | Total equity AED |
|---|-------------------------|-----------------------------|--------------------------------|------------------------|
| As at January 1, 2021 | 150,000 | 75,000 | (42,505) | 182,495 |
| Total comprehensive (loss) for the year | - | - | (18,668) | (18,668) |
| As at December 31, 2021 | 150,000 | 75,000 | (61,173) | 163,827 |
| Total comprehensive (loss) for the year | - | - | (72,861) | (72,861) |
| As at December 31, 2022 | 150,000 | 75,000 | (134,034) | 90,966 |

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) ECU Line - Abu Dhabi (L.L.C) (the "Company") was incorporated on September 23, 2001. The Company is registered with the Department of Economic Development, Abu Dhabi, United Arab Emirates ("U.A.E.") and operates under Commercial License No. CN-1041189 which is valid until February 20, 2023.
- b) The principal activities of the Company are shipment containers loading and offloading, goods air and marine shipment and customs clearance.
- c) The Registered Address of the Company is P.O. Box 7158, Abu Dhabi, U.A.E.
- d) The control and management of the Company is vested with Mr. Don Varuna Wirasinha (Sri Lankan National), the Managing Director.

2. SHARE CAPITAL

- a) The authorised, issued and paid-up capital of the Company is AED 150,000, divided into 100 shares of AED 1,500 each, and is held between:

| Name of the Shareholder | Nationality/Country of Incorporation | No. of shares | Amount in AED | % |
|--|--------------------------------------|---------------|----------------|------------|
| Ms. Maitha Juma Saif Bin Bakhit Alfalasi | Emirati | 51 | 76,500 | 51 |
| ECU Hold N.V. | Belgium | 49 | 73,500 | 49 |
| Total | | 100 | 150,000 | 100 |

- b) The Company is part of the ECU Group of Companies, and the Parent and Ultimate Parent Company is Allcargo Global Logistics Ltd.
- c) The Ultimate Beneficial Owner is Mr. Shashi Kiran Shetty (Indian National).
- d) As the accumulated losses exceeded half of the Company's share capital, as required by Article 308 of the Federal Law, the Managing Director referred the dissolution matter to the General Assembly of the Shareholders, and it was resolved to continue the operations of the Company. Further, the shareholders have agreed to provide continuing financial support to enable the Company to discharge its liabilities as and when they fall due.

3. BASIS OF PREPARATION

a) Statement of compliance

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 the requirements of the U.A.E Federal Decree-Law No (32) of 2021 on Commercial Companies (the "Federal Law").

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").



3. BASIS OF 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 new standards, improvements, interpretations and amendments to IFRS that are mandatorily effective for accounting years beginning on or after January 1, 2022:

New standards, improvements, interpretations and amendments issued.

- | | |
|------------------------|---|
| • 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: 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. |
| • Amendments to IFRS 4 | Insurance Contracts (January 1, 2023) |
| • 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 any 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 consistently (subject to point (3) (d)) 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 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 expenses relating to financial instruments that are recognised in the statement of comprehensive income are presented within general and administrative expenses other than allowance for expected credit losses which is presented separately in the statement of comprehensive income.

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 at fair value, these are measured at amortised cost using the effective interest rate method.

The Company's cash at banks, accounts receivable and other receivables (excluding deferred charges, prepaid expenses 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 and other payables (excluding contract liabilities) and due to related party fall into this category of financial instruments.

b) Cash and cash equivalents

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



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Accounts receivable

Accounts receivable are stated at original invoice amount less an allowance for the expected credit losses ("ECL") 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 deposits, deferred charges, prepaid expenses, contract assets, VAT recoverable, net and others. These are carried at amounts expected to be received whether through cash or services less provision as per the ECL model.

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.

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.

e) 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").

"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.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

g) 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 over their estimated useful lives as follows:

| <u>Assets</u> | <u>Years</u> |
|------------------|--------------|
| Vehicles | 4 |
| Office equipment | 3-4 |

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.

The estimated useful lives, residual values and depreciation method are reviewed at the end of reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

h) 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.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, fellow subsidiary, companies and entities under common or joint ownership or common management and control, Parent Companies, Ultimate Parent Company and key management personnel.

j) Accounts and other payables

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

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

Contract liabilities refers to payments received in advance for services which have not yet been performed.

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.

k) 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.

l) Employees' end-of-service benefits

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

m) Statutory reserve

As per the provisions of the Federal Law, 5% (previously 10%) of the net profit per annum is required to be transferred to a statutory reserve. The Company resolved to discontinue such transfers when the reserves equalled 50% of the paid-up share capital, which has been attained. This reserve is not available for distributions to the Shareholders.

n) 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.

o) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenue recognition (continued)

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.

Revenue is recognised at a point in time when the Company satisfies performance obligations by providing the promised 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 assess each of its contracts with customers and determines if performance obligations are satisfied at a point in time in order to determine the appropriate method of recognising revenue.

The Company generates revenue from shipment, customs clearance, loading and offloading services, which are recognised on execution of orders of customers and agents.

p) Expenses

Direct costs include all costs directly attributable to the generation of revenue including freight costs, handling fees, customs duties and other related overheads. All other expenses are classified as general and administrative expenses other than the allowance for the expected credit losses which is 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 for low value. Leases payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Management fees are paid to a related party for multiple services being received towards budgeting and forecasting, financial research and other management related services.

q) 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.



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 expected credit losses (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 ECL of other receivables and cash at banks 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 carry minimal credit risk.

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

The Company recognises revenue at a point in time when the performance obligations are satisfied following the 5-step model as per IFRS 15.



ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

| 6 | CASH AND CASH EQUIVALENTS | 2022 | 2021 |
|---|---------------------------|----------------|---------------|
| | | AED | AED |
| | Cash in hand | 10,000 | 10,000 |
| | Cash at banks | 90,171 | 81,574 |
| | | <u>100,171</u> | <u>91,574</u> |

| 7 | ACCOUNTS RECEIVABLE | 2022 | 2021 |
|---|--|------------------|----------------|
| | | AED | AED |
| | Accounts receivable - third parties | 1,823,644 | 414,628 |
| | Accounts receivable - related parties (note 10.2) | 19,939 | 51,061 |
| | | <u>1,843,583</u> | <u>465,689</u> |
| | Allowance for expected credit losses on accounts receivable (note 7.3) | (87,031) | (63,031) |
| | Accounts receivable, net | <u>1,756,552</u> | <u>402,658</u> |

7.1 Accounts receivable are non-interest bearing and are generally on 90 days credit terms (refer to note 17 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 date over these accounts receivable and thus they are unsecured.

7.2 As at December 31, the ageing analysis of accounts receivable was as follows:

| | Total | Not past due | 91 - 120 days | 121 - 180 days | >180 days |
|------|------------------|------------------|----------------|----------------|---------------|
| | AED | AED | AED | AED | AED |
| 2022 | <u>1,843,583</u> | <u>1,413,618</u> | <u>136,886</u> | <u>281,104</u> | <u>11,975</u> |
| 2021 | <u>465,689</u> | <u>400,175</u> | <u>14,410</u> | <u>17,485</u> | <u>33,619</u> |

7.3 ECL allowance for accounts receivable

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 of 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 90 days from the invoice date is considered indicators of no reasonable expectation of recovery.

The movement in ECL allowance for accounts receivable was as follows:

| | 2022 | 2021 |
|---|---------------|---------------|
| | AED | AED |
| Balance as at the beginning of the year | 63,031 | 71,752 |
| Provision for the year | 24,000 | 21,999 |
| Receivables written off | - | (30,720) |
| Balance as at the end of the year | <u>87,031</u> | <u>63,031</u> |



ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

| 8 | OTHER RECEIVABLES | 2022 AED | 2021 AED |
|---|----------------------|----------------|----------------|
| | Contract assets | 393,177 | - |
| | Deposits (note 8.1) | 359,418 | 370,294 |
| | Deferred charges | 89,087 | 20,048 |
| | Prepaid expenses | 56,507 | 49,862 |
| | VAT recoverable, net | 16,007 | 38,587 |
| | Others | 5,246 | 5,245 |
| | | <u>919,442</u> | <u>484,036</u> |

8.1 Deposits include customs deposit of AED 247,000 (2021:AED 246,154) and bank guarantee of AED 100,000 (2021: AED 100,000) issued in favor of Abu Dhabi Customs Authority (note 16.2).

9 PROPERTY AND EQUIPMENT

| | | Vehicles AED | Office equipment AED | Total AED |
|-----|--|-----------------|----------------------------|----------------|
| 9.1 | Cost | | | |
| | As at January 1, 2021 | 85,360 | 85,874 | 171,234 |
| | Additions | - | 2,050 | 2,050 |
| | Transferred to related party (note 10.4) | - | (5,700) | (5,700) |
| | As at December 31, 2021 | <u>85,360</u> | <u>82,224</u> | <u>167,584</u> |
| | Additions | - | 2,765 | 2,765 |
| | As at December 31, 2022 | <u>85,360</u> | <u>84,989</u> | <u>170,349</u> |
| 9.2 | Accumulated depreciation | | | |
| | As at January 1, 2021 | 85,360 | 77,309 | 162,669 |
| | Charge for the year (note 15) | - | 3,026 | 3,026 |
| | Transferred to related party (note 10.4) | - | (1,901) | (1,901) |
| | As at December 31, 2021 | <u>85,360</u> | <u>78,434</u> | <u>163,794</u> |
| | Charge for the year (note 15) | - | 1,579 | 1,579 |
| | As at December 31, 2022 | <u>85,360</u> | <u>80,013</u> | <u>165,373</u> |
| 9.3 | Net book value | | | |
| | As at December 31, 2022 | <u>-</u> | <u>4,976</u> | <u>4,976</u> |
| | As at December 31, 2021 | <u>-</u> | <u>3,790</u> | <u>3,790</u> |

10 RELATED PARTY BALANCES AND TRANSACTIONS

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

| 10.1 | Due to related parties | | 2022 AED | 2021 AED |
|------|--|-------------------|------------------|----------------|
| | | Relationship | | |
| | ECU Hold N.V., Belgium | Shareholder | 524,098 | 209,848 |
| | Ms. Maitha Juma Saif Bin Bakhit Alfalasi, U.A.E. | Shareholder | - | 24,000 |
| | ECU Line Middle East (L.L.C), U.A.E. | Fellow Subsidiary | 1,036,904 | 24,259 |
| | | | <u>1,561,002</u> | <u>258,107</u> |



ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

| 10 | RELATED PARTY BALANCES AND TRANSACTIONS (continued) | 2022 AED | 2021 AED |
|------|--|-------------|-------------|
| 10.2 | Related party balances included in accounts receivable (note 7) | 19,939 | 51,061 |
| | Related party balances included in accounts and other payables (note 11) | 102,366 | 62,446 |
| 10.3 | There are no repayment terms, interest or security for the related party balances. | | |
| 10.4 | Transactions with related parties during the year were as follows: | | |
| | Revenue | 103,236 | 243,868 |
| | Direct costs | 1,594,394 | 1,422,741 |
| | Management fees (note 15) | 76,482 | 85,806 |
| | Sponsor fee | 24,000 | 48,000 |
| | Property and equipment (NBV) transferred to related party-net (note 9.1) | - | 3,799 |
| 11 | ACCOUNTS AND OTHER PAYABLES | 2022 AED | 2021 AED |
| | Accounts payable - third parties | 284,857 | 194,683 |
| | Accounts payable - related parties (note 10.2) | 102,366 | 62,446 |
| | | 387,223 | 257,129 |
| | Accrued expenses | 458,802 | 128,325 |
| | Contract liabilities | 81,401 | 10,314 |
| | | 927,426 | 395,768 |
| 12 | EMPLOYEES' END-OF-SERVICE BENEFITS | 2022 AED | 2021 AED |
| | Balance at the beginning of the year | 164,356 | 157,840 |
| | Provided for the year | 37,391 | 25,420 |
| | Paid during the year | - | (18,904) |
| | Balance at the end of the year | 201,747 | 164,356 |
| 13 | REVENUE | 2022 AED | 2021 AED |
| | At a point in time | | |
| | Revenue from third parties | 6,846,446 | 3,812,526 |
| | Revenue from related parties | 103,236 | 243,868 |
| | | 6,949,682 | 4,056,394 |
| 14 | DIRECT COSTS | 2022 AED | 2021 AED |
| | Direct costs | 5,830,325 | 3,129,782 |
| | | 5,830,325 | 3,129,782 |



ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

| 15 | GENERAL AND ADMINISTRATIVE EXPENSES | 2022 AED | 2021 AED |
|----|---|------------------|----------------|
| | Salaries and benefits | 749,058 | 614,020 |
| | Professional and other fees | 154,943 | 75,605 |
| | Management fees (note 10.4) | 76,482 | 85,806 |
| | Rent - short-term | 32,550 | 34,321 |
| | Insurance | 26,520 | 27,406 |
| | Communications | 24,997 | 21,668 |
| | Travelling and conveyance | 14,499 | 11,809 |
| | Bank charges | 12,583 | 11,235 |
| | Depreciation of property and equipment (note 9.2) | 1,579 | 3,026 |
| | Other expenses | 75,007 | 38,385 |
| | | <u>1,168,218</u> | <u>923,281</u> |

16 COMMITMENTS AND CONTINGENCIES

16.1 Capital and operating expenditure commitments

The Company had no capital or operating commitments as at the reporting date. Rent is renewed on an annual basis.

16.2 Contingent liabilities

The Company had the following contingent liabilities as at the reporting date:

| | 2022 AED | 2021 AED |
|--|----------------|----------------|
| Bank guarantee in favour of Abu Dhabi Customs Authority (note 8.1) | 100,000 | 100,000 |
| Labour guarantees (note 8.1) | - | 15,000 |
| | <u>100,000</u> | <u>115,000</u> |

17 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 interest-bearing financial assets or financial liabilities as at the reporting date.

Credit risk

Credit risk is limited to the carrying values of financial assets in the statement of financial position, and 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. The Company was exposed to credit risk on the following:

| | 2022 AED | 2021 AED |
|--|------------------|----------------|
| Cash at banks (note 6) | 90,171 | 81,574 |
| Accounts receivable (note 7) | 1,756,552 | 402,658 |
| Other receivables (excluding deferred charges, prepaid expenses, and VAT recoverable, net) (note 8) | 757,841 | 375,539 |
| | <u>2,604,564</u> | <u>859,771</u> |

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



17 RISK MANAGEMENT

Credit risk (continued)

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. The rating and credit quality is used to determine the ECL for customer receivables in line with IFRS 9. In measuring the ECL, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics.

Other receivables mainly consist of deposits that relate to customs authority and have no credit risk as they are with government entities. These deposits are fully refundable.

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid funds to meet its financial obligations as they fall due. The Company limits its liquidity risk by managing its cash flows. The Company's terms of contract require amounts to be paid within 90 days from the date of invoice.

The table summarises the maturities of the Company's financial liabilities at December 31:

| | Less than 12 months AED |
|--|-------------------------------|
| 2022 | |
| Accounts and other payables (excluding contract liabilities) (note 11) | 846,025 |
| Due to related parties (note 10.1) | 1,561,002 |
| | <u>2,407,027</u> |
| 2021 | |
| Accounts and other payables (excluding contract liabilities) (note 11) | 385,454 |
| Due to related parties (note 10.1) | 258,107 |
| | <u>643,561</u> |

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly 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. As the AED is pegged to the USD, there is no foreign currency risk involved with regard to the USD.

18 FAIR VALUES

The Company assesses the fair values of all its financial assets and financial liabilities at each reporting date. The fair value of cash and cash equivalents, accounts receivable, other receivables (excluding deferred charges, prepaid expenses and VAT recoverable, net), accounts and other payables (excluding contract liabilities) and due to related parties, approximate their carrying amounts largely to the short term maturities of these instruments.



19 SIGNIFICANT EVENTS

In February 2022, Russia's invasion of Ukraine with the possibility of other nations also getting embroiled in this raging conflict, 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.

20 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.

