

ALLCARGO LOGISTICS FZE

FINANCIAL STATEMENTS

DECEMBER 31, 2022

ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ALLCARGO LOGISTICS FZE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Allcargo Logistics FZE (the "Establishment"), 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 Establishment 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 Establishment 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 22 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 Establishment in the coming years, if any, due to the uncertainties involved.

Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, for their compliance with the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations 2016 ("Implementing Regulations"), and of the UAE Federal Decree-Law No. (32) of 2021 on Commercial Companies (the "Federal Law"), as may be applicable to Free Zone Establishments, 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 Establishment'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 Establishment or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
ALLCARGO LOGISTICS FZE (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Establishment'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 Establishment'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 Establishment 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 SHAREHOLDER OF
ALLCARGO LOGISTICS FZE (continued)

Report on Other Legal and Regulatory Requirements

As required by the provisions of the Implementing Regulations, we confirm that we have obtained all the information and explanations necessary for our audit and proper books of account have been maintained by the Establishment. Further, we are not aware of any contravention during the year of the provisions of the Implementing Regulations and of the Federal Law as may be applicable to Free Zone Establishments, or of the Establishment's Memorandum and Articles of Association, which might have materially affected the financial position of the Establishment as at December 31, 2022 or the results of its operations for the year then ended.

BAKER TILLY MKM
Chartered Accountants


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



Date: 31 MAR, 2023

ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2022

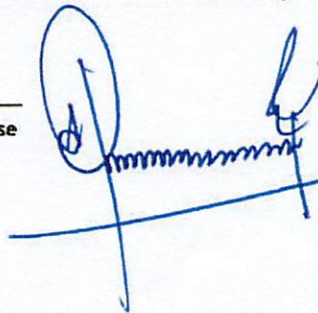
		2022	2021
	Note	AED	AED
ASSETS			
Current assets			
Cash and cash equivalents	6	2,563,647	40,204
Accounts receivable	7	650,124	4,308,305
Other receivables	8	871,616	298,894
		<u>4,085,387</u>	<u>4,647,403</u>
Non-current assets			
Right-of-use asset	9.3	5,921,316	6,274,226
Property and equipment	10.3	12,571,765	13,943,848
		<u>18,493,081</u>	<u>20,218,074</u>
TOTAL ASSETS		<u>22,578,468</u>	<u>24,865,477</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts and other payables	11	778,111	181,745
Due to related party	12.1	-	2,695,764
Loans from related parties	12.2	8,261,806	11,730,063
Lease liability	13	248,318	234,061
		<u>9,288,235</u>	<u>14,841,633</u>
Non-current liabilities			
Lease liability	13	6,066,197	6,316,457
Employees' end-of-service benefits	14	144,061	51,414
		<u>6,210,258</u>	<u>6,367,871</u>
Total liabilities		<u>15,498,493</u>	<u>21,209,504</u>
Equity			
Share capital	2	2,000,000	2,000,000
Retained earnings		5,079,975	1,655,973
Total equity		<u>7,079,975</u>	<u>3,655,973</u>
TOTAL LIABILITIES AND EQUITY		<u>22,578,468</u>	<u>24,865,477</u>

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

The report of the independent auditor is set out on pages 1 and 2.

The financial statements were authorized for issue on 31 MAR, 2023 by:

Mr. Anu George Mavunil Kunnathil Varughese
Manager




ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

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

		2022	2021
	Note	AED	AED
Revenue	15	9,675,709	4,547,650
Direct costs	16	(5,061,635)	(2,939,864)
Gross profit		4,614,074	1,607,786
General and administrative expenses	17	(896,805)	(545,247)
Finance costs	18	(293,267)	(132,138)
Profit for the year		3,424,002	930,401
Other comprehensive income		-	-
Total comprehensive income for the year		3,424,002	930,401

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

The report of the independent auditor is set out on pages 1 to 3.



ALLCARGO LOGISTICS FZE
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		3,424,002	930,401
Adjustments for:			
Depreciation of property and equipment	10.2	1,422,724	1,380,332
Provision for employees' end-of-service benefits	14	97,622	28,079
Depreciation of right-of-use asset	16	352,910	352,910
Interest expense on lease liability	18	127,585	132,138
Interest on loans from related parties	18	165,682	-
Operating profit before working capital changes		5,590,525	2,823,860
Decrease/(increase) in accounts receivable		3,658,181	(511,356)
(Increase) in other receivables		(572,722)	(150,641)
Increase in accounts and other payables		596,366	103,266
Movement in related parties balances, net		(6,195,764)	(2,014,964)
Cash flows generated from operating activities		3,076,586	250,165
Employees' end-of-service benefits paid	14	(4,975)	(1,133)
Payment of interest on loans from related parties	12.3	(133,939)	-
Net cash generated from operating activities		2,937,672	249,032
Cash flows from investing activities			
Acquisition of property and equipment	10.1	(50,641)	(198,600)
Net cash (used in) investing activities		(50,641)	(198,600)
Cash flows from financing activities			
Payment of lease liability	13.1	(363,588)	(325,508)
Net cash (used in) financing activities		(363,588)	(325,508)
Net increase/(decrease) in cash and cash equivalents		2,523,443	(275,076)
Cash and cash equivalents at the beginning of the year		40,204	315,280
Cash and cash equivalents at the end of the year	6	2,563,647	40,204
Non-cash transactions:			
Loan repaid by related party on behalf of the Establishment	12.3	(3,500,000)	(3,500,000)
Receivables transferred to related parties	12.4	-	3,796,949

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

The report of the independent auditor is set out on pages 1 to 3.



ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

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

	Share capital AED	Retained earnings AED	Total AED
As at January 1, 2021	2,000,000	725,572	2,725,572
Total comprehensive income for the year	-	930,401	930,401
As at December 31, 2021	2,000,000	1,655,973	3,655,973
Total comprehensive income for the year	-	3,424,002	3,424,002
As at December 31, 2022	2,000,000	5,079,975	7,079,975

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

The report of the independent auditor is set out on pages 1 to 3.



ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

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

1 LEGAL STATUS AND BUSINESS ACTIVITIES

- a) Allcargo Logistics FZE (the "Establishment") was incorporated on October 20, 2019 and registered with Jebel Ali Free Zone Authority ("JAFZA"), Dubai, United Arab Emirates ("U.A.E.") on October 20, 2019 as a Free Zone Establishment with limited liability under Logistics License No. 181080 issued by JAFZA. The current license is valid until September 24, 2023.
- b) The principal activities of the Establishment are ship chandlers' services, customs brokerage, cargo loading and unloading services, sea shipping lines agents, sea cargo services, general warehousing, containers loading and unloading services, and cargo packaging.
- c) The Registered Office of the Establishment is Plot No. S20202, Jebel Ali, Dubai, U.A.E.
- d) The management of the Establishment is vested with Mr. Anu George Mavunil Kunnathil Varughese (Indian National), the Manager.

2 SHARE CAPITAL

The authorised, issued and paid-up capital of the Establishment is AED 2,000,000, divided into 2,000 shares of AED 1,000 each, and is solely held by ECU Hold N.V., Belgium.

The Parent Company is ECU Hold N.V. and the Ultimate Parent Company is Allcargo Global Logistics Ltd.

The Establishment is part of the ECU Group of Companies. The Ultimate Controlling Party is Allcargo Global Logistics Ltd., and the Ultimate Beneficial Owner is Mr. Shashi Kiran Shetty, an Indian National.

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 Jebel Ali Free Zone Companies Implementing Regulations 2016 and the UAE Federal Decree-Law No. (32) of 2021 on Commercial Companies (the "Federal Law") as may be applicable to Free Zone Establishments.

b) Basis for measurement

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

c) Functional and reporting currency

The financial statements are prepared in United Arab Emirates Dirham ("AED") which is also the Establishment's functional currency.

d) Changes in accounting policies

The accounting policies 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 Establishment's financial statements for the year ended December 31, 2022.



3 BASIS OF PREPARATION (continued)

d) Changes in accounting policies (continued)

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 Establishment 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 Establishment 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 Establishment. 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 Establishment 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 Establishment in the period of their initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently, is set out below:

a) Financial instruments

Financial assets and financial liabilities are recognised when the Establishment 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:

a) Financial instruments (continued)

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

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

Financial assets at amortised cost

- 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.

The Establishment's cash at banks, accounts receivable, and other receivables (excluding prepaid expenses and advances to suppliers) fall into this category of financial instruments.

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. The Establishment's accounts and other payables, due to related party, loans from related parties and lease liability fall into this category of financial instruments.

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

Accounts receivable are stated at original invoice amount less an allowance for expected credit losses (ECL's) as per IFRS 9. Receivables are written off when there is no possibility of recovery.

The Establishment 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Other receivables

Other receivables mainly consist of prepaid expenses, contract assets, staff loans, advances to suppliers, deposits and other receivables. These are carried at amounts expected to be received whether through cash or goods less provision as per the ECL model.

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 Establishment 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 expected 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 Establishment 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.

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 Establishment has a legally enforceable right to set off the recognised amounts, and the Establishment either intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

g) Leases and right-of-use assets

The Establishment assesses whether a contract is or contains a lease at inception of the contract, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Establishment recognises liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. 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.

Right-of-use assets

Right-of-use asset is measured at cost, less accumulated depreciation and impairment losses, if any. The cost of right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Depreciation of right-of-use asset is calculated on a straight-line basis to allocate the cost over the lease term as follows as of December 31, 2022:

<u>Asset</u>	<u>Lease period</u>	<u>Remaining period</u>
Land	20 years	15 years and 9 months



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Leases and right-of-use asset (continued)

Lease liabilities:

The lease liability is initially measured at the present value of the lease payments to be made over the remaining lease term and that are not paid at the commencement date, discounted by using the Establishment's incremental borrowing rate as the interest rate implicit in the lease is not readily determinable.

After the initial measurement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liability is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Variable rents that depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the events of those payments occur.

Right-of-use asset and lease liabilities are presented as separate line items in the statement of financial position.

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 Establishment 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 period in which they are incurred.

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

Assets	Years
Building and improvements	20
Warehouse equipment	5
Office furniture and equipment	3-4
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 Establishment through the use of items of property and equipment.

i) Impairment of non-financial assets

The Establishment 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 Establishment makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's 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.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of non-financial assets (continued)

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 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 and other payables.

k) Related party transactions and balances

The Establishment, 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 shareholder, companies and entities under common or joint ownership or common management and control, fellow subsidiaries, Parent and Ultimate Parent Company and key management personnel.

Due to related party and loans from related parties 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.

l) Provisions

Provisions are recognised when the Establishment 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 the 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 basic remuneration.

n) Contingent liabilities

A contingent liability is disclosed when the Establishment has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events, not wholly within the control of the Establishment; or when the Establishment 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 Establishment 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 Establishment 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.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenue recognition (continued)

The Establishment assesses each of its contracts with customers and has determined that performance obligations are satisfied at a point in time in order to determine the appropriate method of recognising revenue.

The Establishment 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 Establishment satisfies a performance obligation before it receives the consideration, the Establishment 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 Establishment assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Establishment has concluded that it is acting as a principal in all of its revenue arrangements.

The Establishment generates revenue through the following:

- Revenue from containers loading and unloading services, and cargo loading and unloading services is recognised on final execution of orders of customers and agents.
- Revenue from renting of warehouse space for storing cargo until it is delivered.

All the revenue is recognised at a point in time.

p) Expenses

Direct costs include all costs directly attributable to the generation of revenue and includes depreciation of property and equipment (excluding office furniture and equipment), salaries and benefits of revenue generating employees, depreciation of right-of-use asset, and other direct costs and related activities. All other expenses are classified as general and administrative expenses or finance costs, as appropriate.

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 Establishment'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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and underlying assumptions are based on factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where an assumption and estimate is significant to the financial statements, are as follows:

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

i) Allowance for expected credit losses on financial assets

The Establishment assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due. Assessment is made by the management in line with IFRS 9. This assessment is reviewed by the management on a regular basis.

Assessment of cash at banks is made in line with IFRS 9. This assessment is reviewed by management on a regular basis. The Establishment deals with reputable banks to limit its credit risk with respect to cash at bank.

Other receivables carry minimal credit risk.

ii) Useful lives and residual values of property and equipment

The Establishment reviews the useful lives and residual values of property and equipment on a regular basis. Any change in estimate may affect the carrying amounts of the respective items of property and equipment, with a corresponding effect on the related depreciation charge.

iii) Impairment of property and equipment

At the end of each reporting period, the Establishment assesses whether there is any indication that property and equipment may be impaired (i.e., its carrying amount may be higher than its recoverable amount). If there is an internal or external indication that any asset may be impaired, then the asset's recoverable amount is calculated, and compared accordingly to determine whether impairment is required.

iv) Useful lives of right-of-use assets

The Establishment reviews the useful lives of right-of-use assets on a regular basis. Any change in estimates may affect the carrying amounts of the respective right-of-use assets with a corresponding effect on the related depreciation charge.

v) Interest rate used for discounting the lease liability.

The interest rate used for discounting the lease liability has been determined at 2% per annum. This rate is based on the Establishment's estimate of incremental borrowing costs, taking account of the rate at which Group Companies lend funds to each other, as the Establishment does not have any third party or external borrowings.

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

The Establishment assesses each of its contracts with customers to determine whether performance obligations are satisfied at a point of time or over a period of time in time to determine the appropriate method of revenue recognition. The Establishment recognises revenue at a point of time when the performance obligations are satisfied following the 5-step model as per IFRS 15.

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6	CASH AND CASH EQUIVALENTS	2022	2021
		AED	AED
	Cash in hand	10,569	12,200
	Cash at banks	2,553,078	28,004
		<u>2,563,647</u>	<u>40,204</u>

7	ACCOUNTS RECEIVABLE	2022	2021
		AED	AED
	Accounts receivable from related parties	-	4,201,761
	Accounts receivable from third parties (note 7.1 and 7.2)	650,124	106,544
		<u>650,124</u>	<u>4,308,305</u>

7.1 Accounts receivable are non-interest bearing and generally on 90 days credit terms, after which date accounts receivable are considered to be past due. It is not the practice of the Establishment to obtain collateral over accounts receivable and therefore all accounts receivable are unsecured.

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

		Not past due	Past due			
	Total	0-90 days	91 - 120 days	121 - 180 days	>180 days	
	AED	AED	AED	AED	AED	
2022	650,124	577,441	20,242	50,383	2,058	
2021	4,308,305	4,300,434	6,345	-	1,526	

7.3 ECL allowance for accounts receivable

The Establishment 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.

Receivables are written-off when there is no reasonable expectation of recovery.

8	OTHER RECEIVABLES	2022	2021
		AED	AED
	Prepaid expenses	456,101	193,940
	Contract assets	358,475	-
	Staff loans	31,540	-
	Deposits	25,500	24,500
	Advances to suppliers	-	76,954
	Other receivables	-	3,500
		<u>871,616</u>	<u>298,894</u>

There is no impact of IFRS 9 on other receivables.



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9	RIGHT-OF-USE ASSET	Land
9.1	Cost	AED
	As at January 1, 2021, December 31, 2021 and at December 31, 2022	<u>7,038,864</u>
9.2	Accumulated depreciation	
	As at January 1, 2021	411,728
	Charge for the year (note 9.5)	<u>352,910</u>
	As at December 31, 2021	764,638
	Charge for the year (note 9.5)	<u>352,910</u>
	As at December 31, 2022	<u>1,117,548</u>
9.3	Net book value	
	As at December 31, 2022	<u>5,921,316</u>
	As at December 31, 2021	<u>6,274,226</u>
9.4	The Establishment entered into a lease agreement, dated September 25, 2019, with JAFZA for the lease of land for a period of 20 years which can be terminated upon fulfilment of certain terms and conditions.	
9.5	The following are the amounts recognised in the statement of comprehensive income:	
		2022
		AED
	Depreciation of right-of-use asset (note 16)	352,910
	Interest expense on lease liability (notes 13.1 and 18)	127,585
		<u>480,495</u>
		2021
		AED
		352,910
		132,138
		<u>485,048</u>

10 PROPERTY AND EQUIPMENT

		Building and improvements	Warehouse equipment	Office furniture and equipment	Vehicles	Total
		AED	AED	AED	AED	AED
10.1	Cost					
	As at January 1, 2021	15,730,163	309,621	334,912	196,124	16,570,820
	Additions	-	-	198,600	-	198,600
	As at December 31, 2021	<u>15,730,163</u>	<u>309,621</u>	<u>533,512</u>	<u>196,124</u>	<u>16,769,420</u>
	Additions	-	20,250	30,391	-	50,641
	As at December 31, 2022	<u>15,730,163</u>	<u>329,871</u>	<u>563,903</u>	<u>196,124</u>	<u>16,820,061</u>
10.2	Accumulated depreciation					
	As at January 1, 2021	1,232,430	54,942	99,950	57,918	1,445,240
	Charge for the year (note 10.4)	1,151,028	77,424	102,848	49,032	1,380,332
	As at December 31, 2021	<u>2,383,458</u>	<u>132,366</u>	<u>202,798</u>	<u>106,950</u>	<u>2,825,572</u>
	Charge for the year (note 10.4)	1,151,028	81,432	141,232	49,032	1,422,724
	As at December 31, 2022	<u>3,534,486</u>	<u>213,798</u>	<u>344,030</u>	<u>155,982</u>	<u>4,248,296</u>



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10 PROPERTY AND EQUIPMENT (continued)

10.3 Net book value	Building and improvements AED	Warehouse equipment AED	Office furniture and equipment AED	Vehicles AED	Total AED
As at December 31, 2022	12,195,677	116,073	219,873	40,142	12,571,765
As at December 31, 2021	13,346,705	177,255	330,714	89,174	13,943,848

10.4 Depreciation was allocated as follows:	2022 AED	2021 AED
Direct costs (note 16)	1,281,492	1,277,484
General and administrative expenses (note 17)	141,232	102,848
	<u>1,422,724</u>	<u>1,380,332</u>

11 ACCOUNTS AND OTHER PAYABLES	2022 AED	2021 AED
Accounts payable	352,097	42,847
Accrued expenses and other payables	426,014	138,898
	<u>778,111</u>	<u>181,745</u>

12 RELATED PARTY BALANCES AND TRANSACTIONS

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

12.1 Due to related party	Relationship	2022 AED	2021 AED
Allcargo Logistics L.L.C, U.A.E.	Fellow subsidiary	-	2,695,764

12.2 Loans from related parties			
ECU Hold N.V., Belgium	Shareholder	5,831,643	9,299,900
ECU Hold N.V., (Jebel Ali Branch), U.A.E	Fellow subsidiary	2,430,163	2,430,163
		<u>8,261,806</u>	<u>11,730,063</u>

These loans from related parties are unsecured and for the shareholder only, interest is at the rate of 2% per annum. The Establishment has committed, to repay the interest on a monthly basis against invoices issued by the Shareholder. These loans are repayable on demand.

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

	ECU Hold ECU N.V. (Jebel Hold, N.V., Ali Branch), Belgium AED	ECU Hold N.V. (Jebel Ali Branch), U.A.E. AED
<u>2022</u>		
Balance as at the beginning of the year	9,299,900	2,430,163
Loan repaid	(3,500,000)	-
Accretion of interest (note 18)	165,682	-
Interest paid	(133,939)	-
Balance as at the end of the year	<u>5,831,643</u>	<u>2,430,163</u>



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12	RELATED PARTY BALANCES AND TRANSACTIONS (continued)	ECU Hold	
		ECU Hold, N.V., Belgium	N.V. (Jebel Ali Branch), U.A.E.
		AED	AED
<u>2021</u>			
Balance as at the beginning of the year		12,799,900	2,430,163
Loan repaid during the year		(3,500,000)	-
Balance as at the end of the year		<u>9,299,900</u>	<u>2,430,163</u>

12.4 Transactions with related parties, apart from those disclosed above in movement in loans were as follows:

	2022	2021
	AED	AED
Revenue (note 15)	6,601,485	4,200,235
Expenses incurred by related party on behalf of the Establishment	-	1,652,138
Transfer of receivables	-	3,796,949
Funds transfers, net	-	1,360,000

13	LEASE LIABILITY	2022	2021
		AED	AED
Current portion		248,318	234,061
Non-current portion		6,066,197	6,316,457
		<u>6,314,515</u>	<u>6,550,518</u>

The lease agreement expires on September 25, 2039.

13.1 The movement in lease liability was as follows:

Balance as at the beginning of the year	6,550,518	6,743,888
Accretion of interest (note 18)	127,585	132,138
Payments	(363,588)	(325,508)
Balance as at the end of the year	<u>6,314,515</u>	<u>6,550,518</u>

13.2 The maturity analysis of the lease liability as at December 31 was as follows:

	Gross liability	Deferred interest	Net liability
	AED	AED	AED
<u>2022</u>			
Within 1 year	371,164	(122,845)	248,319
Within 1 to 5 years	1,569,353	(437,472)	1,131,881
After 5 years	5,543,657	(609,342)	4,934,315
	<u>7,484,174</u>	<u>(1,169,659)</u>	<u>6,314,515</u>
<u>2021</u>			
Within 1 year	361,646	(127,585)	234,061
Within 1 to 5 years	1,546,513	(459,594)	1,086,919
After 5 years	5,939,604	(710,066)	5,229,538
	<u>7,847,763</u>	<u>(1,297,245)</u>	<u>6,550,518</u>

13.3 The interest rate used for discounting the lease liability has been determined at 2% per annum. This rate is based on the rate at which Group Companies lend funds to each other, as the Establishment does not have any third-party or external borrowings.



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14	EMPLOYEES' END-OF-SERVICE BENEFITS	2022	2021
		AED	AED
	Balance at the beginning of the year	51,414	24,468
	Provided for the year	97,622	28,079
	Payments made during the year	(4,975)	(1,133)
	Balance at the end of the year	<u>144,061</u>	<u>51,414</u>
15	REVENUE	2022	2021
		AED	AED
	Revenue from related parties	6,601,485	4,200,235
	Revenue from third parties	3,074,224	347,415
		<u>9,675,709</u>	<u>4,547,650</u>
Revenue is recognised at a point in time as the Establishment satisfies performance obligations by providing the promised services to its customers.			
16	DIRECT COSTS	2022	2021
		AED	AED
	Salaries and benefits	2,550,263	1,146,900
	Depreciation of property and equipment (note 10.4)	1,281,492	1,277,484
	Depreciation of right-of-use asset (note 9.2)	352,910	352,910
	Other direct costs and related activities	876,970	162,570
		<u>5,061,635</u>	<u>2,939,864</u>
17	GENERAL AND ADMINISTRATIVE EXPENSES	2022	2021
		AED	AED
	Professional and other fees	204,116	99,460
	Depreciation of property and equipment (note 10.4)	141,232	102,848
	Repairs and maintenance	106,340	49,873
	Utilities	93,538	60,747
	Communications	75,591	71,660
	Rent (short-term leases)	72,321	52,852
	Travelling and conveyance	61,047	36,015
	Insurance	47,179	28,422
	Others	95,441	43,370
		<u>896,805</u>	<u>545,247</u>
18	FINANCE COSTS	2022	2021
		AED	AED
	Interest on loans from related parties (note 12.3)	165,682	-
	Interest on lease liability (note 13.1)	127,585	132,138
		<u>293,267</u>	<u>132,138</u>



19 COMMITMENTS AND CONTINGENCIES

19.1 Capital and operating expenditure commitments

The Establishment did not have any capital or operating expenditure commitments as at the reporting date.

19.2 Contingent liabilities

The Establishment did not have any contingent liabilities as at the reporting date.

20 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 Establishment was not exposed to interest rate risk as it had no interest-bearing financial assets or liabilities as of the reporting date, except for the loans from related parties and lease liability, all of which are recorded at fixed interest rates.

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 Establishment was exposed to credit risk on the following:

	2022 AED	2021 AED
Cash at banks (note 6)	2,553,078	28,004
Accounts receivable (note 7)	650,124	4,308,305
Other receivables (excluding prepaid expenses, contract assets and advances to suppliers) (note 8)	57,040	28,000
	<u>3,260,242</u>	<u>4,364,309</u>

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

Credit risks related to accounts receivable (third parties) are managed subject to the Establishment'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 Establishment mainly deals with related parties with good credit history within the Group. Accounts receivable from related parties relates to transactions arising from the normal course of business with minimal credit risk.

Other receivables pertain to transactions with low risk parties.



20 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Establishment will not be able to meet its financial obligations as they fall due. The Establishment limits its liquidity risk managing its cash flows. The Establishment's terms of contract require amounts to be paid within 90 days from the invoice date. Accounts payable are normally settled within 30 days from the date of purchase.

The table below summarises the maturities of the Establishment's financial liabilities:

	Less than 1 year AED	More than 1 year AED	Total AED
As at December 31, 2022			
Accounts and other payables (excluding VAT payable and provision for bonus) (note 11)	505,414	-	505,414
Due to related party (note 12.1)	-	-	-
Loans from related parties (note 12.2)	8,261,806	-	8,261,806
Lease liability - gross (note 13.2)	371,164	7,113,010	7,484,174
	<u>9,138,384</u>	<u>7,113,010</u>	<u>16,251,394</u>
As at December 31, 2021			
Accounts and other payables (excluding VAT payable and provision for bonus) (note 11)	124,879	-	124,879
Due to related party (note 12.1)	2,695,764	-	2,695,764
Loans from related parties (note 12.2)	11,730,063	-	11,730,063
Lease liability - gross (note 13.2)	361,646	7,486,117	7,847,763
	<u>14,912,352</u>	<u>7,486,117</u>	<u>22,398,469</u>

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 Establishment's transactions are carried out in AED. Exposures to currency exchange rates arise from the Establishment's transfers of funds from/to related parties, which are primarily denominated in AED and USD. Since USD is pegged against AED, there is no risk involved with regard to the USD.

21 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 and other payables, due to related parties and current portion of lease liability approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumption were used to determine the fair values of other financial liabilities:

Fair value of non-current lease liability 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.

22 SIGNIFICANT EVENT

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 Establishment's future financial and operational condition, if any, due to the uncertainties involved.

23 EVENTS AFTER THE REPORTING DATE

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

