ECU LINE MIDDLE EAST (L.L.C)

FINANCIAL STATEMENTS

DECEMBER 31, 2021

bakertilly
Chartered Accountants

ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2021

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ECU WORLDWIDE
Geography Simplified

DIRECTORS' REPORT

The Directors' present their report and financial statements of **ECU Line Middle East (L.L.C)** (the "Company") for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is licensed to provide services as a customs broker, cargo loading and unloading, cargo packaging, sea cargo, air cargo, and as sea shipping lines agents, distribution and logistics services.

FINANCIAL REVIEW

The table below summarises the financial results:

	2021	2020
	AED	AED
Revenues	86,332,469	55,049,928
Gross profit	4,690,677	4,867,066
Gross profit margin	5.43%	8.84%
(Loss)/profit for the year	(59,934)	127,525

AUDITORS

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

ADOPTION OF FINANCIAL STATEMENTS

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

EFFECTS OF THE COVID PANDEMIC

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

ECU WORLDWIDE
Geography Simplified

DIRECTORS' REPORT (continued)

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 position and results of its operations.

The financial statements were approved by the Board and signed on its behalf by the authorised representative of the Company on 16 MAR, 2022.

Mr. Don Varuna Wirasinha

Managing Director

P.O. Box: 28430
DUBAI - U.A.E.
ECU LINE MIDDLE EAST (L.L.C)
A/C

bakertilly
Chartered Accountants

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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 MIDDLE EAST (L.L.C)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **ECU Line Middle East (L.L.C)** (the "Company"), which comprise the statement of financial position as at December 31, 2021, the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the other ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates ("U.A.E.") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphases of Matters

We refer to note 18 to the financial statements which highlights the possible impact that the current situation regarding the spread of the corona virus (COVID-19) throughout the region and the world has had and could continue to have on the state of affairs and the operating results of the Company in the year 2022.

We 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.

Our opinion is not modified in respect of these matters.

Other Information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE MIDDLE EAST (L.L.C) (continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, in compliance with provisions of U.A.E. Federal Law No. 2 of 2015 (the "Federal Law"), and the applicable provisions of Jebel Ali Fee Zone Implementing Regulations 2016 ("Implementing Regulations"), as may be applicable to U.A.E. Commercial Companies, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;

- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE MIDDLE EAST (L.L.C) (continued)

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

As required by the Federal Law and the Implementing Regulations, 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, the Implementing Regulations, as may be applicable to U.A.E. Commercial Companies and the Memorandum of Association ("MOA") of the Company;

3) the Company has maintained proper books of account;

4) the financial information included in the Directors' report is consistent with the books of account of the Company;

5) the Company has not purchased any shares or stocks during the financial year;

6) note 8 to the financial statements reflects material related party transactions and balances, and the terms under which they were conducted; and

7) based on the information that has been available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended December 31, 2021 any of the applicable provisions of the Federal Law, the Implementing Regulations, as may be applicable to U.A.E. Commercial Companies or of its MOA which would materially affect its activities or its financial position as at December 31, 2021.

BAKER TILLY MKM
Chartered Accountants

Sanjiv Gambhir
Engagement Partner
Dubai, United Arab Emirates

P.O.Box: 115915
DUBAI U.A.E.
BAKER TILLY MKM CHARTERED ACCOUNTANTS

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

Date: March 16, 2022

ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2021

	Note	2021 AED	2020 AED
ASSETS			
Current assets			
Cash and cash equivalents	5	456,536	838,636
Accounts receivable	6	18,204,029	6,188,771
Other receivables	7	2,536,117	2,120,478
Due from related parties	8	83,369	218,328
		21,280,051	9,366,213
Non-current assets			
Property and equipment	9	74,090	78,045
Total assets		21,354,141	9,444,258
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	10	6,444,022	2,527,373
Other payables	11	7,837,190	3,083,265
Due to related parties	8	1,062,916	719,884
Loan from Shareholder	8	3,088,030	-
		18,432,158	6,330,522
Non-current liabilities			
Employees end-of-service benefits	12	2,531,917	2,536,211
Total liabilities		20,964,075	8,866,733
Equity			
Share capital	2	300,000	300,000
Statutory reserve	3	150,000	150,000
(Accumulated losses)/retained earnings		(59,934)	127,525
Total equity		390,066	577,525
Total equity and liabilities		21,354,141	9,444,258

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

The financial statements were authorised for issue on 16 MAR , 2022 by:

Mr. Don Varuna Wirasinha
Managing Director

ECU LINE MIDDLE EAST (L.L.C) P.O. Box: 20430 DUBAI - U.A.E. اكو لاين ميدل ايست (ش.ذ.م.م)

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بيكر تلي ام كي ام محاسبون قانونيون P.O. BOX: 115915 DUBAI - U.A.E. BAKER TILLY MKM CHARTERED ACCOUNTANTS

ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

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

	Note	2021 AED	2020 AED
Revenue		86,332,469	55,049,928
Direct costs	13	(81,641,792)	(50,182,862)
Gross profit		4,690,677	4,867,066
Other income	14	313,132	364,906
Selling and distribution expenses		(308,973)	(31,821)
General and administrative expenses	15	(4,748,368)	(5,072,626)
Finance costs		(6,402)	-
(Loss)/profit for the year		(59,934)	127,525
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(59,934)	127,525

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

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ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

Statement of cash flows
For the year ended December 31, 2021

	Note	2021 AED	2020 AED
Cash flows from operating activities			
(Loss)/profit for the year		(59,934)	127,525
Adjustments for:			
ECL allowance for accounts receivable	6	60,000	60,000
Liabilities written-back	14	(160,503)	(129,135)
Depreciation of property and equipment	9	46,886	38,499
Provision for employees' end-of-service benefits	12	407,167	286,561
Operating profit before working capital changes		293,616	383,450
(Increase)/decrease in accounts receivable		(12,075,258)	2,168,975
(Increase)/decrease in other receivables		(415,639)	75,880
Movement in related parties' balances - net		97,781	(842,523)
Increase in accounts payable		4,077,152	430,729
Increase/(decrease) in other payables		4,753,925	(978,799)
Cash (used in)/generated from operations		(3,268,423)	1,237,712
Employees' end-of-service benefits paid	12	(31,251)	(84,869)
Net cash (used in)/generated from operating activities		(3,299,674)	1,152,843
Cash flows from investing activities			
Acquisition of property and equipment	9	(42,931)	(31,323)
Net cash (used in) investing activities		(42,931)	(31,323)
Cash flows from financing activities			
Dividends paid	8	(127,525)	(55,573)
Loan received/(repaid)	8	3,088,030	(900,000)
Net cash generated from/(used in) financing activities		2,960,505	(955,573)
Net (decrease)/increase in cash and cash equivalents		(382,100)	165,947
Cash and cash equivalents at the beginning of the year	5	838,636	672,689
Cash and cash equivalents at the end of the year	5	456,536	838,636

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

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ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

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

	Share capital AED	Statutory reserve AED	Retained earnings/ (accumulated losses) AED	Total AED
As at January 1, 2020	300,000	150,000	55,573	505,573
Dividends	-	-	(55,573)	(55,573)
Total comprehensive income for the year	-	-	127,525	127,525
As at December 31, 2020	300,000	150,000	127,525	577,525
Dividends	-	-	(127,525)	(127,525)
Total comprehensive (loss) for the year	-	-	(59,934)	(59,934)
As at December 31, 2021	300,000	150,000	(59,934)	390,066

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

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1 LEGAL STATUS AND BUSINESS ACTIVITIES

a) **ECU Line Middle East (L.L.C)** (the "Company") was incorporated on August 2, 1999 and registered with the Department of Economic Development (now Dubai Economy), Government of Dubai, United Arab Emirates (U.A.E.) as a Limited Liability Company and operates under Commercial License No. 513445 which is valid until August 1, 2022. In addition, the Company was also registered on September 15, 1999 under Logistic License No. 2343 issued by the Commercial Registration Department of Jebel Ali Free Zone Authority ("JAFZA"), Dubai, U.A.E. The current license is valid until December 31, 2022.

b) The Company is licensed to provide services as a customs broker, cargo loading and unloading, cargo packaging, sea cargo, air cargo and as sea shipping lines agents, distribution and logistics services.

c) The Registered Office of the Company is P.O. Box No. 28430, Jebel Ali, Dubai, U.A.E.

d) The management of the Company is vested with Mr. Don Varuna Wirasinha (Sri Lankan National), the Managing Director.

2 SHARE CAPITAL

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

Name of the Shareholders	Nationality/Country of Incorporation	No. of shares	Amount in AED	%
Ms. Maitha Juma Saif Bin Bakhit Alfalasi	Emirati	153	153,000	51
Ecu Hold N.V.	Belgium	147	147,000	49
Total		**300**	**300,000**	**100**

The Company is part of the ECU Group of Companies and the Ultimate Controlling Party is Allcargo Global Logistics Ltd.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("the Committee"), U.A.E. Federal Law No. 2 of 2015 and Jebel Ali Free Zone Companies Implementing Regulations 2016, as may be applicable to U.A.E. Commercial Companies.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 and comes into effect as of January 2, 2022, superseding Federal Law No. 2 of 2015 and its amendments (the "Federal Law"). The management of the Company is in the process of reviewing the new provisions (most of which, with the exception of the change in statutory reserve regulations, will not affect the Company) and will continue to comply the requirements thereof.

b) Accounting convention

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Functional and reporting currency

The functional currency of the Company is U.A.E. Dirhams ("AED") and in addition United States Dollar ("USD"). However, the financial statements are reported in AED being the currency of country of domicile.

d) Changes in accounting policies

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

New standards, improvements, interpretations and amendments

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

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

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

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

• Amendments to IAS 1	Presentation of Financial Statements (January 1, 2023)
• Amendments to IAS 8	Accounting policies, Changes in Accounting Estimates and Errors (January 1, 2023)
• Amendments to IAS 12	Income Taxes (January 1, 2022)
• Amendments to IAS 16	Property, Plant and Equipment (January 1, 2022)
• Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets (January 1, 2022)
• Amendments to IFRS 3	Business Combinations (January 1, 2022)
• Amendments to IFRS 4	Insurance Contracts (January 1, 2023)
• Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
• IFRS 17 and amendments thereto	Insurance Contracts (January 1, 2023)
• Annual improvements	IFRS Standards 2018-2020 Cycle (January 1, 2022) ▪ IFRS 1 First-time Adoption of International Financial Reporting Standards ▪ IFRS 9 Financial Instruments ▪ IFRS 16 Leases ▪ IAS 41 Agriculture

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

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

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

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

The above classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within general and administrative expenses.

Financial assets at amortised cost

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

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

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

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

Financial liabilities at amortised cost

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

f) Cash and cash equivalents

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Accounts receivable

Accounts receivable are stated at original invoice amount less the expected credit loss ("ECL") allowance as per IFRS 9. Bad debts are written off when there is no possibility of recovery.

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

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

h) Other receivables

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

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

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

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

i) Related party balances and transactions

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

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

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

j) Impairment of financial assets

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

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DUBAI - U.A.E.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment of financial assets (continued)

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

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

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

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

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

k) Offsetting of financial assets and liabilities

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

l) Property and equipment

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

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

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

Assets	Years
Furniture, fixtures and office equipment	3 and 5
Vehicles	4 and 5

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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset'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.

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

n) Accounts payable

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

Credit balances which are unclaimed by the counter-party for periods exceeding three years are written-off and other income is recognised. The management reviews unclaimed credit balances on a regular basis.

o) Other payables

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

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

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

p) Employees' end-of-service benefits

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

q) 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.

r) Statutory reserve

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Contingent liabilities

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

t) Revenue recognition

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

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

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

Revenue is recognised when (or as) the Company satisfies performance obligations by carrying out or providing the promised services for its customers.

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

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. Revenue from shipment, customs clearance, loading and offloading services is recognised on execution of orders of customers and agents.

Other income includes scrap sales, sundry creditors written-back, gains on disposal of property and equipment and miscellaneous receipts are recognised on realised amounts.

u) 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.

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 related party for multiple services being received towards budgeting and forecasting, financial research and other management related services.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Foreign currency transactions and translations

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

i) Provision for ECLs on financial assets

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

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

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

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

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5 CASH AND CASH EQUIVALENTS

	2021 AED	2020 AED
Cash on hand	32,484	63,066
Cash at bank	424,052	775,570
	456,536	838,636

6 ACCOUNTS RECEIVABLE

	2021 AED	2020 AED
Accounts receivable - non related parties	15,714,099	5,141,244
Accounts receivable - related parties (note 8.4)	2,990,941	1,695,833
	18,705,040	6,837,077
ECL allowance for accounts receivable (note 6.3)	(501,011)	(648,306)
Accounts receivable, net	18,204,029	6,188,771

6.1 Accounts receivables are non-interest bearing and are generally on 90 days credit terms (refer to note 17 for credit risk analysis), after which accounts receivables are considered to be past due. It is not the practice of the Company to obtain collateral over these accounts receivables and therefore the vast majority of these receivables are unsecured.

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

			Past due		
	Total AED	Not past due AED	91-120 days AED	121-180 days AED	>180 days AED
2021	18,705,040	17,002,508	994,662	426,501	281,369
2020	6,837,077	6,035,553	281,826	127,108	392,590

6.3 Expected credit losses as per IFRS 9

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

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

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

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

The movement of ECL allowance was as follows:	2021 AED	2020 AED
Balance at the beginning of the year	648,306	643,318
Provided for during the year (note 15)	60,000	60,000
Written - off against accounts receivable	(207,295)	(55,012)
Balance at the end of the year	501,011	648,306

7 OTHER RECEIVABLES

	2021 AED	2020 AED
Deposits (7.1)	1,248,540	1,298,540
Deferred charges (7.2)	893,096	293,600
Prepaid expenses	176,294	181,037
Advances to suppliers	-	115,126
Others	218,187	232,175
	2,536,117	2,120,478

7.1 Deposits include custom and port deposits of AED 560,000 (2020: AED 560,000) and visa deposits amounting to AED 155,300 (2020: AED 155,300). Additionally, it includes AED 456,200 (2020: AED 405,000) as margin deposits held under lien against guarantees issued on behalf of the Company (note 16.2).

7.2 Deferred charges are costs incurred for ongoing projects yet to be invoiced, and shall be as and when the performance obligations are met.

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

8 RELATED PARTY TRANSACTIONS AND BALANCES

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

8.1 Due from related parties

	Relationship	2021 AED	2020 AED
ECU Hold N.V. (Jebel Ali Branch), U.A.E.	Group Company	45,844	8,853
ECU Line - Abu Dhabi (L.L.C), U.A.E.	Group Company	24,259	205,044
Eurocentre FZCO, U.A.E.	Group Company	13,266	-
Allcargo Logistics L.L.C, U.A.E.	Group Company	-	4,200
ECU Worldwide (Bahrain) Co. W.L.L, Bahrain	Group Company	-	231
		83,369	218,328

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

8.2 Due to related parties

		2021 AED	2020 AED
Ecu Hold N.V., Belgium	Shareholder	641,334	-
ECU Worldwide (Bahrain) Co. W.L.L, Bahrain	Group Company	242,129	-
ECU Hold N.V. (Jebel Ali Branch), U.A.E. (i)	Group Company	157,464	47,793
ECU Line Doha,W.L.L, Qatar	Group Company	21,989	-
Eurocentre FZCO, U.A.E.	Group Company	-	664,311
Ms. Maitha Juma Saif Bin Bakhit Alfalasi	Shareholder	-	7,780
		1,062,916	719,884

(i) As per the Group policy, dividends and loan payments are made separately and these are not netted off against other balances with the related parties. Therefore the balances due from and due to ECU Hold N.V. (Jebel Ali Branch) are gross balances and are not netted off against each other.

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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

8.3 Loan from Shareholder

	2021	2020
	AED	AED
Ecu Hold N.V., Belgium	3,088,030	-

Relates to funding of USD 838,000 (AED 3,088,030), repayable on demand with no fixed maturity and bears interest at 2% per annum. The Company has committed to repay the interest on a monthly basis against invoices issued by the Shareholder.

The related party balances other than loan from Shareholder are interest-free with no set terms of repayment or security.

		AED	AED
8.4	Related party balances included in accounts receivable (note 6)	2,990,941	1,695,833
	Related party balances included in accounts payable (note 10)	5,175,479	1,753,034

8.5 Transactions with related parties during the year were as follows (except fund transfers):

	2021	2020
	AED	AED
Revenue (8.6)	27,015,247	10,540,340
Direct costs (8.7)	19,478,096	11,282,607
Loan received/(repaid)	3,088,030	(900,000)
Management fee expense (note 15)	682,253	1,324,462
End-of-service benefits transferred to related party (note 12)	380,210	-
Sponsor's fee (note 15)	196,000	-
Dividends paid	127,525	55,573
Management fee income (note 14)	60,000	60,000
Interest expenses	6,402	-

8.6 Revenue relates to contracts where the related party is the originator of the contract and the revenue recognised by the Company is the Company's share.

8.7 Direct costs relates to costs incurred where the Company is the originator of the contract and the costs reported is the share related to the related party's activities.

9 PROPERTY AND EQUIPMENT

		Furniture, fixtures and office equipment	Vehicles	Total
		AED	AED	AED
9.1	**Cost**			
	As at January 1, 2020	901,387	296,459	1,197,846
	Additions	31,323	-	31,323
	Write offs	(26,385)	-	(26,385)
	As at December 31, 2020	906,325	296,459	1,202,784
	Additions	42,931	-	42,931
	Write offs	(40,010)	-	(40,010)
	As at December 31, 2021	909,246	296,459	1,205,705
9.2	**Accumulated depreciation**			
	As at January 1, 2020	826,059	286,566	1,112,625
	Charge for the year (note 15)	34,942	3,557	38,499
	Write offs	(26,385)	-	(26,385)
	As at December 31, 2020	834,616	290,123	1,124,739
	Charge for the year (note 15)	43,332	3,554	46,886
	Write offs	(40,010)	-	(40,010)
	As at December 31, 2021	837,938	293,677	1,131,615
9.3	**Net book values**			
	As at December 31, 2021	71,308	2,782	74,090
	As at December 31, 2020	71,709	6,336	78,045

9.4 Assets costing AED 1,034,516 (2020: AED 1,055,080) were fully depreciated as at the year-end.

10 ACCOUNTS PAYABLE

	2021	2020
	AED	AED
Accounts payable - related parties (note 8.4)	5,175,479	1,753,034
Accounts payable - non related parties	1,268,543	774,339
	6,444,022	2,527,373

11 OTHER PAYABLES

	2021	2020
	AED	AED
Accrued expenses - import and export	4,956,357	1,848,103
Deferred revenue	1,732,757	405,411
Other accrued expenses	945,250	799,456
VAT payable, net	202,826	30,295
	7,837,190	3,083,265

12	EMPLOYEES' END-OF-SERVICE BENEFITS	2021	2020
		AED	AED
	Balance at the beginning of the year	2,536,211	2,334,519
	Provided for the year	407,167	286,561
	Provision transferred to related party (note 8.5)	(380,210)	-
	Paid during the year	(31,251)	(84,869)
	Balance at the end of the year	2,531,917	2,536,211

13	DIRECT COSTS	2021	2020
		AED	AED
	Direct costs of import activities	44,566,484	24,888,251
	Direct costs of export activities	32,958,844	21,412,031
	Salaries and benefits	4,116,464	3,882,580
		81,641,792	50,182,862

14	OTHER INCOME	2021	2020
		AED	AED
	Liabilities written-back	160,503	129,135
	Management fee income (note 8.5)	60,000	60,000
	Foreign currency exchange gains - net	47,152	49,152
	Other income	45,477	126,619
		313,132	364,906

15	GENERAL AND ADMINISTRATIVE EXPENSES	2021	2020
		AED	AED
	Salaries and benefits	2,744,310	2,588,387
	Management fee (note 8.5)	682,253	1,324,462
	Insurance	237,822	266,185
	Legal, visa and professional fees	209,424	177,207
	Telephone and communications	199,973	216,210
	Sponsor's fee (note 8.5)	196,000	-
	Repairs and maintenance	106,391	113,122
	Utilities	101,696	95,302
	Rent - short-term	54,537	68,441
	ECL allowance for accounts receivable (note 6.3)	60,000	60,000
	Travelling and entertainment	45,377	54,040
	Depreciation (note 9)	46,886	38,499
	Bank charges	34,123	24,620
	Other expenses	29,576	46,151
		4,748,368	5,072,626

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16 COMMITMENTS AND CONTINGENCIES

16.1 Capital and operating expenditure commitments

The Company did not have any capital or operating commitments as at the reporting date. The rent agreement is renewable on an annual basis.

16.2 Contingent liabilities

	2021	2020
	AED	AED
Bank guarantees	492,000	542,000

Secured as stated in note 7.1.

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 assets or liabilities (except loan from Shareholder) as at the reporting date.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss and is limited to the carrying values of financial assets in the separate statement of financial position. The Company was exposed to credit risk on the following balances:

	2021	2020
	AED	AED
Cash at bank (note 5)	424,052	775,570
Accounts receivable, net (note 6)	18,204,029	6,188,771
Other receivables (except prepaid expenses, deferred charges and advances to suppliers) (note 7)	1,466,727	1,530,715
Due from related parties (note 8.1)	83,369	218,328
	20,178,177	8,713,384

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

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

Other receivables are with parties with good credit ratings, hence the risk is minimal. Due from related parties represent minimal credit risk, as these will be recovered from the Shareholder in the event of default.

Liquidity risk

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

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

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17 RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

	Less than 12 months
2021	**AED**
Accounts payable (note 10)	6,444,022
Other payables (excluding deferred revenue) (note 11)	6,104,433
Due to related parties (note 8.2)	1,062,916
Loan from Shareholder (note 8.3)	3,088,030
	16,699,401

	Less than 12 months
2020	
Accounts payable (note 10)	2,527,373
Other payables (excluding deferred revenue) (note 11)	2,677,854
Due to related parties (note 8.2)	719,884
	5,925,111

Foreign currency risk

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

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

18 EFFECTS OF THE COVID PANDEMIC

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

19 EVENTS AFTER THE REPORTING DATE

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

There have been no material events occurring after the statement of financial position date that require adjustment to, or disclosure in, the financial statements other than as mentioned above.