ECU LINE MIDDLE EAST (L.L.C)

FINANCIAL STATEMENTS

DECEMBER 31, 2022

bakertilly
Chartered Accountants

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

Financial statements for the year ended December 31, 2022

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MANAGING DIRECTOR'S REPORT

The Managing Director presents his report and the financial statements of **ECU Line Middle East (L.L.C)** (the "Company") for the year ended December 31, 2022.

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, sea shipping lines agents, and distribution and logistics services.

FINANCIAL REVIEW

The table below summarises the financial results:

	2022 AED	2021 AED
Revenue	150,954,773	86,332,469
Gross profit	9,008,050	4,690,677
Gross profit margin	5.97%	5.43%
Profit/(loss) for the year	1,975,172	(59,934)

AUDITORS

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

EVENTS AFTER THE YEAR-END

In the opinion of the Managing Director, 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 results of the operations or the financial position of the Company.

STATEMENT OF MANAGING DIRECTOR'S RESPONSIBILITIES

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

The financial statements were approved by the Board and signed on its behalf by the authorised representative of the Company on 7 A APR, 2023.

The Financial statement shall be presented to the Shareholders for their adoption in the Annual General Meeting.

Mr. Don Varuna Wirasinha
Managing Director

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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
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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, 2022, the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 23 to the financial statements which highlights the possible impact that the current situation regarding the conflict in Ukraine could have on the state of affairs and operating results of the Company in the coming years, if any, due to the uncertainties involved.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Managing Director's Report set out on page 1. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE 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, and for their compliance with the applicable provisions of the U.A.E. Federal Decree-Law No. (32) of 2021 on Commercial Companies (the "Federal Law"), and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the Federal Law, we report that:

1. We have obtained all the information and explanations necessary for the purpose of our audit;
2. The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law and the Memorandum of Association ("M.O.A") of the Company.
3. The Company has maintained proper books of account;
4. The financial information included in the Managing Director's Report is consistent with the books of account of the Company;
5. There were no investments made in shares and stocks during the financial year;
6. Note 9 to the financial statements reflects material related party transactions and balances, and the terms under which they were conducted; and
7. Based on the information that has been available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended December 31, 2022 any of the applicable provisions of the Federal Law, or of its M.O.A which would materially affect its financial position as at December 31, 2022 or the results of its operations for the year then ended.

BAKER TILLY MKM
Chartered Accountants

N. A

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

Date: 28 APR, 2023

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

Statement of financial position
As at December 31, 2022

	Note	2022 AED	2021 AED
ASSETS			
Current assets			
Cash and cash equivalents	6	4,090,302	456,536
Accounts receivable	7	28,703,953	18,204,029
Other receivables	8	2,446,733	2,536,117
Due from related parties	9.1	1,036,907	83,369
		36,277,895	21,280,051
Non-current assets			
Property and equipment	10.3	213,554	74,090
Total assets		36,491,449	21,354,141
LIABILITIES AND EQUITY			
Current liabilities			
Due to related parties	9.2	4,086,310	1,062,916
Loan from Shareholder	9.3	13,037,530	3,088,030
Accounts payable	11	2,885,267	6,444,022
Other payables	12	11,333,407	7,837,190
		31,342,514	18,432,158
Non-current liabilities			
Employees' end-of-service benefits	13	2,783,697	2,531,917
Total liabilities		34,126,211	20,964,075
Equity			
Share capital	2	300,000	300,000
Statutory reserve		150,000	150,000
Retained earnings/(accumulated losses)		1,915,238	(59,934)
Total equity		2,365,238	390,066
Total equity and liabilities		36,491,449	21,354,141

The accompanying notes 1 to 24 form an integral part of these financial statements.

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

The financial statements were authorised for issue by the Board of Directors on 28 APR, 2023 and signed on their behalf by:

Mr. Don Varuna Wirasinha
Managing Director

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

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

	Note	2022 AED	2021 AED
Revenue	14	150,954,773	86,332,469
Direct costs	15	(141,946,723)	(81,641,792)
Gross profit		9,008,050	4,690,677
Other income	16	870,692	313,132
Allowance for expected credit losses for accounts receivable	7.3	(60,000)	(60,000)
General and administrative expenses	17	(6,691,755)	(4,688,368)
Selling and distribution expenses	18	(993,924)	(308,973)
Finance costs	19	(157,891)	(6,402)
Profit/(loss) for the year		1,975,172	(59,934)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		1,975,172	(59,934)

The accompanying notes 1 to 24 form an integral part of these financial statements.

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

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

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

	Note	2022 AED	2021 AED
Cash flows from operating activities			
Profit/(loss) for the year		1,975,172	(59,934)
Adjustments for:			
Allowance for expected credit losses on accounts receivable	7.3	60,000	60,000
Provision for employees' end-of-service benefits	13	400,590	407,167
Liabilities written-back	16	(2,135)	(160,503)
Depreciation of property and equipment	17	55,243	46,886
Finance costs	19	157,891	6,402
Operating profit before working capital changes		2,646,761	300,018
(Increase) in accounts receivable		(10,559,924)	(12,075,258)
Decrease/(increase) in other receivables		89,384	(415,639)
Movement in related parties' balances - net		2,069,856	97,781
(Decrease)/increase in accounts payable		(3,556,620)	4,077,152
Increase in other payables		3,496,217	4,753,925
Cash (used in) operations		(5,814,326)	(3,262,021)
Employees' end-of-service benefits paid	13	(148,810)	(31,251)
Finance costs paid	19	(157,891)	(6,402)
Net cash (used in) operating activities		(6,121,027)	(3,299,674)
Cash flows from investing activities			
Acquisition of property and equipment	10.1	(194,707)	(42,931)
Net cash (used in) investing activities		(194,707)	(42,931)
Cash flows from financing activities			
Dividends paid		-	(127,525)
Loan received from shareholder	9.3	9,949,500	3,088,030
Net cash generated from financing activities		9,949,500	2,960,505
Net increase/(decrease) in cash and cash equivalents		3,633,766	(382,100)
Cash and cash equivalents at the beginning of the year		456,536	838,636
Cash and cash equivalents at the end of the year	6	4,090,302	456,536

The accompanying notes 1 to 24 form an integral part of these financial statements.

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

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

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

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

	Share capital AED	Statutory reserve AED	Retained earnings AED	Total AED
As at January 1, 2021	300,000	150,000	127,525	577,525
Dividends paid for the year	-	-	(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
Total comprehensive income for the year	-	-	1,975,172	1,975,172
As at December 31, 2022	300,000	150,000	1,915,238	2,365,238

The accompanying notes 1 to 24 form an integral part of these financial statements.

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

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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. The Company is registered with the 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, 2023.

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, 2023.

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, and 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 is held between:

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

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

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

3 BASIS FOR PREPARATION

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the IFRS Interpretations Committee (the "Committee") and the requirements of the U.A.E Federal Decree-Law No (32) of 2021 on Commercial Companies (the "Federal Law").

b) Basis of 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 Dirhams "AED" which is also the Company's functional currency.

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3 BASIS FOR PREPARATION (continued)

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 Company's financial statements for the year ended December 31, 2022.

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

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory until the dates shown, and hence have not been early adopted by the Company in preparing the financial statements for the year ended December 31, 2022.

• Amendments to IAS 1 and IFRS Practise Statement 2	Presentation of Financial Statements - Disclosure of Accounting Policies and Making Materiality Judgements (January 1, 2023)
• Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Accounting Estimates (January 1, 2023)
• Amendments to IAS 12	Income Taxes (January 1, 2023) - such amendments will automatically apply when IAS 12 becomes applicable - see below: Pursuant to the UAE introducing corporate income taxes for accounting periods commencing on or after June 1, 2023, the Company will have to implement IAS 12 Income Taxes with effect from January 1, 2024. Management is currently determining the financial impact that this Standard will have on the balances and results of the Company. Introduction of this Standard will be on a prospective basis, and accordingly no restatement of prior periods including the year ended December 31, 2022 will be effected.
• Amendments to IFRS 4	Insurance Contracts (January 1, 2023)
• IFRS 17 and amendments thereto	Insurance Contracts (January 1, 2023)
• Amendments to IFRS 16	Leases - Sale & Leaseback (January 1, 2024)
• Amendments to IAS 1	Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current (January 1, 2024)

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

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is mentioned below:

a) Financial instruments

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

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

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

The above classification is determined by both:

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

All income and expenses relating to financial instruments that are recognised in the statement of comprehensive income are presented within other income, general and administrative expenses other than interest on loan from Shareholder which is presented separately on the face of the statement of comprehensive income.

Financial assets at amortised cost

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

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

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

The Company's cash and cash equivalents, accounts receivable, deposits, other receivable (excluding prepaid expenses), and due from related parties fall into this category of financial instruments.

Financial liabilities at amortised cost

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

b) Cash and cash equivalents

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Accounts receivable

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

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

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to note 7 for an analysis of how the impairment requirements of IFRS 9 are applied).

d) Other receivables

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

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

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

e) Related party balances and transactions

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

Related party balances are assessed for recoverability as per the ECL model.

Amounts due from/to and loan from Shareholder 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.

f) Impairment of financial assets

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of financial assets (continued)

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

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

g) Offsetting of financial assets and liabilities

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

h) Property and equipment

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

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

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

Assets	Years
Furniture, fixtures and office equipment	3
Vehicles	4

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

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

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

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

i) Impairment of non-financial assets

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

k) Other payables

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

Contract liabilities refers to payments received in advance for services which have not yet been performed as at the reporting date.

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

l) 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. 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.

m) 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.

n) Statutory reserve

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

o) Contingent liabilities

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

p) Revenue recognition

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

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

I. Identify the contracts with customers: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

II. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Revenue recognition (continued)

III. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

IV. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

V. Recognise revenue when the Company satisfies a performance obligation at a point in time.

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

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

Revenue from shipment, customs clearance, loading and offloading services is recognised on execution of orders of customers and agents.

Other income includes management fees income, net foreign currency exchange gains, liabilities written-back, and miscellaneous receipts recognised on realised amounts.

q) 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 and selling and distribution expenses or finance costs, as appropriate.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Leases 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.

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

r) Foreign currency transactions and translations

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

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5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

i) Provision for ECLs on financial assets

An allowance against 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 banks is made in line with IFRS 9. This assessment is reviewed by management on a regular basis. The Company deals with reputable banks to limit its credit risk with respect to cash at banks. Other receivables 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 a period of time or at a point in time to determine the appropriate method of revenue recognition. The Company recognises revenue at a point in time when the performance obligations are satisfied following the 5-step model as per IFRS 15.

6 CASH AND CASH EQUIVALENTS

	2022	2021
	AED	AED
Cash in hand	47,378	32,484
Cash at banks	4,042,924	424,052
	4,090,302	456,536

7 ACCOUNTS RECEIVABLE

	2022	2021
	AED	AED
Accounts receivable - third parties	27,001,689	15,714,099
Accounts receivable - related parties (note 9.4)	2,140,251	2,990,941
	29,141,940	18,705,040
Allowance for expected credit losses on accounts receivable (note 7.3)	(437,987)	(501,011)
Accounts receivable, net	28,703,953	18,204,029

7.1 Accounts receivables are non-interest bearing and are generally on 90 days credit terms (refer to note 21 for credit risk analysis), after which date accounts receivables are considered to be past due. It is not the practice of the Company to obtain collateral over these accounts receivable and therefore the vast majority of these receivables are unsecured.

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

		Not past due date	Past due date		
		0-90	91-120	121-180	>180
	Total	days	days	days	days
	AED	AED	AED	AED	AED
2022	29,141,940	25,212,288	2,308,160	957,286	664,206
2021	18,705,040	17,002,508	994,662	426,501	281,369

7.3 Expected credit losses as per IFRS 9

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

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

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

The movement in allowance for expected credit losses is as follows:	2022	2021
	AED	AED
Balance at the beginning of the year	501,011	648,306
Provided for the year	60,000	60,000
Receivables written-off	(123,024)	(207,295)
Balance at the end of the year	437,987	501,011

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8 OTHER RECEIVABLES

	2022	2021
	AED	AED
Deposits (note 8.1)	1,239,540	1,248,540
Deferred charges (note 8.2)	635,076	893,096
Contract assets	222,186	211,460
Prepayments	207,885	176,294
Others	142,046	6,727
	2,446,733	2,536,117

8.1 Deposits include custom and port deposits of AED 833,900 (2021: AED 842,900) and a deposit with Emirates Islamic Bank against guarantees amounting to AED 405,640 (2021: AED 405,640).

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

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

9 RELATED PARTY BALANCES AND TRANSACTIONS

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

9.1 Due from related parties

	Relationship	2022	2021
		AED	AED
ECU Hold N.V. (Jebel Ali Branch), U.A.E.	Fellow Subsidiary	-	45,844
ECU Line - Abu Dhabi (L.L.C), U.A.E.	Fellow Subsidiary	1,036,907	24,259
Eurocentre FZCO, U.A.E.	Fellow Subsidiary	-	13,266
		1,036,907	83,369

9.2 Due to related parties

ECU Hold N.V., Belgium	Shareholder	-	641,334
ECU Worldwide (Bahrain) Co. W.L.L, Bahrain	Fellow Subsidiary	4,900	242,129
ECU Hold N.V. (Jebel Ali Branch), U.A.E. (i)	Fellow Subsidiary	27,645	157,464
ECU Line Doha,W.L.L, Qatar	Fellow Subsidiary	-	21,989
Eurocentre FZCO, U.A.E	Fellow Subsidiary	4,053,765	3,826,404
		4,086,310	4,889,320

(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.

9.3 Loan from Shareholder

		2022	2021
		AED	AED
ECU Hold N.V., Belgium	Shareholder	13,037,530	3,088,030

The loan relates to funding of USD 3,538,000 (AED 13,037,530), 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.

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

9.3 Loan from Shareholder (continued)

The movement in loan from shareholder is as follows:

	2022 AED	2021 AED
As at January 1	3,088,030	-
Loan obtained (note 9.5)	9,949,500	3,088,030
Accretion of interest (note 7)	157,891	6,402
Payment of interest	(157,891)	(6,402)
Balance as at December 31	13,037,530	3,088,030

9.4 Related party balances included in accounts receivable (note 7)	2,140,251	2,990,941
Related party balances included in accounts payable (note 11)	911,177	1,349,075

9.5 Transactions (except fund transfers) with related parties were as follows:

Revenue (note 9.6)	25,479,527	27,015,247
Direct costs (note 9.7)	28,894,093	19,478,096
Loan received (note 9.3)	9,949,500	3,088,030
Management fee expense (note 17)	608,117	682,253
Employees' end-of-service benefits transferred to related party (note 13)	-	380,210
Sponsor's fee (note 17)	338,850	196,000
Dividends paid	-	127,525
Management fees income (note 16)	60,000	60,000
Interest expense on loan from Shareholder (note 19)	157,891	6,402

9.6 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.

9.7 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.

10 PROPERTY AND EQUIPMENT

10.1 Cost	Furniture, fixtures and office equipment AED	Vehicles AED	Total AED
As at January 1, 2021	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
Additions	82,707	112,000	194,707
Write offs	(27,014)	(40,750)	(67,764)
As at December 31, 2022	964,939	367,709	1,332,648

10 PROPERTY AND EQUIPMENT (continued)

	Furniture, fixtures and office equipment	Vehicles	Total
10.2 Accumulated depreciation	AED	AED	AED
As at January 1, 2021	834,616	290,123	1,124,739
Charge for the year (note 17)	43,332	3,554	46,886
Write offs	(40,010)	-	(40,010)
As at December 31, 2021	837,938	293,677	1,131,615
Charge for the year (note 17)	47,431	7,812	55,243
Write offs	(27,014)	(40,750)	(67,764)
As at December 31, 2022	858,355	260,739	1,119,094
10.3 Net book value			
As at December 31, 2022	106,584	106,970	213,554
As at December 31, 2021	71,308	2,782	74,090

11 ACCOUNTS PAYABLE

	2022	2021
	AED	AED
Accounts payable - related parties (note 9.4)	911,177	1,349,075
Accounts payable - third parties	1,974,090	1,268,543
	2,885,267	2,617,618

12 OTHER PAYABLES

	2022	2021
	AED	AED
Accrued expenses - import and export	8,277,466	4,956,357
Other accrued expenses	1,794,446	945,250
Contract liabilities	1,228,556	1,732,757
VAT payable, net	32,939	202,826
	11,333,407	7,837,190

13 EMPLOYEES' END-OF-SERVICE BENEFITS

	2022	2021
	AED	AED
Balance at the beginning of the year	2,531,917	2,536,211
Provided for the year	400,590	407,167
Provision transferred to related party (note 9.5)	-	(380,210)
Paid during the year	(148,810)	(31,251)
Balance at the end of the year	2,783,697	2,531,917

14 REVENUE

	2022	2021
	AED	AED
<u>At a point in time</u>		
Revenue from third parties	125,475,246	59,317,223
Revenue from related parties	25,479,527	27,015,246
	150,954,773	86,332,469

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15 DIRECT COSTS

	2022	2021
	AED	AED
Direct costs of export activities	77,094,829	32,958,844
Direct costs of import activities	59,869,372	44,566,484
Salaries and benefits	4,982,522	4,116,464
	141,946,723	81,641,792

16 OTHER INCOME

	2022	2021
	AED	AED
Management fees income (note 9.5)	60,000	60,000
Foreign currency exchange gains - net	30,623	47,152
Liabilities written-back	2,135	160,503
Miscellaneous receipts	777,934	45,477
	870,692	313,132

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	AED	AED
Salaries and benefits	3,321,682	2,744,310
IT related expenses	894,838	-
Management fee (note 9.5)	608,117	682,253
Insurance expenses	516,964	237,822
Sponsor's fee (note 9.5)	338,850	196,000
Legal, visa and professional fees	306,425	209,424
Communications and utilities	286,923	301,669
Repairs and maintenance expenses	96,573	106,391
Travelling and entertainment	94,754	45,377
Bank charges	45,795	34,123
Rent short term lease	42,000	54,537
Depreciation of property and equipment (note 10.2)	55,243	46,886
Other expenses	83,591	29,576
	6,691,755	4,688,368

18 SELLING AND DISTRIBUTION EXPENSES

	2022	2021
	AED	AED
Advertising and business promotion	13,460	11,871
Commissions on sales	980,464	297,102
	993,924	308,973

19 FINANCE COSTS

	2022	2021
	AED	AED
Interest on loan from shareholder (note 9.5)	157,891	6,402

20 COMMITMENTS AND CONTINGENCIES

20.1 Capital and operating expenditure commitments

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

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20 COMMITMENTS AND CONTINGENCIES (continued)

20.2 Contingent liabilities

	2022	2021
	AED	AED
Bank guarantees	492,000	542,000

Secured as stated in note 8.1.

21 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 which is at fixed rate of interest) 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 statement of financial position. The Company was exposed to credit risk on the following balances:

	2022	2021
	AED	AED
Cash at banks (note 6)	4,042,924	424,052
Accounts receivable, net (note 7)	28,703,953	18,204,029
Other receivables (except prepayments, deferred charges and contract assets) (note 8)	1,381,586	1,255,267
Due from related parties (note 9.1)	1,036,907	83,369
	35,165,370	19,966,717

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

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

Other receivables are with parties with good credit ratings, hence the risk is minimal. Due from related parties represent minimal credit risk, as these will be recovered from one of the shareholders 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 one of the shareholders are available as required.

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

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

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21 RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Less than 12 months AED
2022	
Due to related parties (note 9.2)	4,086,310
Loan from Shareholder (note 9.3)	13,037,530
Accounts payable (note 11)	2,885,267
Other payables (excluding contract liabilities and VAT payable, net) (note 12)	10,071,912
	30,081,019
2021	
Due to related parties (note 9.2)	4,889,320
Loan from Shareholder (note 9.3)	3,088,030
Accounts payable (note 11)	2,617,618
Other payables (excluding contract liabilities and VAT payable, net) (note 12)	5,901,607
	16,496,575

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.

22 FAIR VALUE

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

23 SIGNIFICANT EVENTS

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

24 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.

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