

EUROCENTRE FZCO

FINANCIAL STATEMENTS

DECEMBER 31, 2022

EUROCENTRE FZCO
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2022

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DIRECTOR'S REPORT

The Director present his report and the financial statements of Eurocentre FZCO (the "Company"), Dubai, United Arab Emirates ("UAE") for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company consist of containers loading and unloading services, and cargo loading and unloading services. In addition, the Company also generates rental income by making available space within its premises to related parties.

FINANCIAL REVIEW

The table below summarises the financial results:

	2022 AED	2021 AED
Revenue	11,703,479	9,221,496
Gross profit	5,237,830	4,691,406
Profit for the year	1,636,832	1,602,280

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 Company's financial statements for the year ended December 31, 2022 will be adopted in the Annual General Meeting.

EVENTS AFTER THE YEAR-END

In the opinion of the 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 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 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 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.

These financial statements were approved by the Board and signed on its behalf by the authorised representative of the Company on 28 APR, 2023.

These financial statements shall be presented to the Shareholders for their adoption in the Annual General Meeting.


Mr. Don Varuna Wirasinha
Director and Manager



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EUROCENTRE FZCO

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eurocentre FZCO (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 Director's Report set out on page 1, which we obtained prior to the date of this auditor's report. 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 EUROCENTRE FZCO (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 Jebel Ali Free Zone Companies Implementing Regulations 2016 (the "Implementing Regulations"), and of the UAE Federal Decree-Law No. (32) of 2021 on Commercial Companies (the "Federal Law"), as may be applicable to Free Zone Companies, and for such internal controls as management determines is 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
EUROCENTRE FZCO (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 provisions of the Implementing Regulations, we confirm that we have obtained all the information and explanations necessary for our audit and proper books of account have been maintained by the Company. Further, we are not aware of any contravention during the year of the provisions of the Implementing Regulations or of the Federal Law, as may be applicable to Free Zone Companies or of the Company's Memorandum and Articles of Association which might have materially affected the financial position of the Company as at December 31, 2022 or the results of its operations for the year then ended.

BAKER TILLY MKM
Chartered Accountants

N.A

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



Date: 28 APR, 2023

EUROCENTRE FZCO
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2022

	Notes	2022 AED	2021 AED
ASSETS			
Current assets			
Cash and cash equivalents	6	364,313	378,120
Accounts receivable	7	355,597	550
Other receivables	8	458,732	593,893
Due from related party	9.1	4,053,766	3,822,282
		<u>5,232,408</u>	<u>4,794,845</u>
Non-current assets			
Right-of-use asset	10.3	4,750,477	5,182,338
Property and equipment	11.3	551,998	385,511
		<u>5,302,475</u>	<u>5,567,849</u>
TOTAL ASSETS		<u><u>10,534,883</u></u>	<u><u>10,362,694</u></u>
LIABILITIES AND EQUITY			
Current liabilities			
Due to related party	9.2	-	13,266
Accounts and other payables	12	841,055	391,266
Lease liability	13	404,282	389,344
		<u>1,245,337</u>	<u>793,876</u>
Non-current liabilities			
Non-current portion of lease liability	13	4,531,364	4,943,505
Employees' end-of-service benefits	14	1,238,142	1,205,098
		<u>5,769,506</u>	<u>6,148,603</u>
Total liabilities		<u><u>7,014,843</u></u>	<u><u>6,942,479</u></u>
Equity			
Share capital	2	1,300,000	1,300,000
General reserve		583,208	583,208
Retained earnings		1,636,832	1,537,007
Total equity		<u><u>3,520,040</u></u>	<u><u>3,420,215</u></u>
TOTAL LIABILITIES AND EQUITY		<u><u>10,534,883</u></u>	<u><u>10,362,694</u></u>

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 1 to 3.

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


Mr. Don Varuna Wirasinha
Director and Manager



EUROCENTRE FZCO
Dubai - United Arab Emirates

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

	Note	2022 AED	2021 AED
Revenue	15	11,703,479	9,221,496
Direct costs	16	(6,465,649)	(4,530,090)
Gross profit		5,237,830	4,691,406
Other income	17	151,967	152,012
General and administrative expenses	18	(3,650,768)	(3,131,082)
Finance costs	19	(102,197)	(110,056)
Profit for the year		1,636,832	1,602,280
Other comprehensive income		-	-
Total comprehensive income for the year		1,636,832	1,602,280

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 1 to 3.



EUROCENTRE FZCO
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 for the year		1,636,832	1,602,280
Adjustments for:			
Depreciation of property and equipment	11.4	174,578	182,372
Provision for employees' end-of-service benefits	14	114,441	179,878
Depreciation of right-of-use asset	16	431,861	431,861
Interest on lease liability	19	102,197	110,056
Operating profit before working capital changes		2,459,909	2,506,447
(Increase) in accounts receivable		(355,047)	(3,280,922)
Decrease in other receivables		135,161	176,202
Movement in related party balances - net		(244,750)	129,704
Increase in accounts and other payables		449,789	196,692
Cash generated from/(used in) operations		2,445,062	(271,877)
Employees' end-of-service benefits paid	14	(81,397)	(13,348)
Net cash generated from/(used in) operating activities		2,363,665	(285,225)
Cash flows from investing activities			
Acquisition of property and equipment	11.1	(341,065)	(1,600)
Net cash (used in) investing activities		(341,065)	(1,600)
Cash flows from financing activities			
Payment of lease liability	13.1	(499,400)	(499,400)
Payment of dividends		(1,537,007)	-
Net cash (used in) financing activities		(2,036,407)	(499,400)
Net (decrease) in cash and cash equivalents		(13,807)	(786,225)
Cash and cash equivalents at the beginning of the year		378,120	1,164,345
Cash and cash equivalents at the end of the year	6	364,313	378,120

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 1 to 3.



EUROCENTRE FZCO
Dubai - United Arab Emirates

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

	Share capital AED	General reserve AED	Retained earnings AED	Total AED
As at January 1, 2021	1,300,000	583,208	(65,273)	1,817,935
Total comprehensive income for the year	-	-	1,602,280	1,602,280
As at December 31, 2021	1,300,000	583,208	1,537,007	3,420,215
Dividends paid during the year	-	-	(1,537,007)	(1,537,007)
Total comprehensive income for the year	-	-	1,636,832	1,636,832
As at December 31, 2022	1,300,000	583,208	1,636,832	3,520,040

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 1 to 3.



1 LEGAL STATUS AND BUSINESS ACTIVITIES

a) Eurocentre FZCO (the "Company") was incorporated on January 1, 2004 in accordance with the provisions of Jebel Ali Free Zone Companies Implementing Regulations No 1/99 pursuant to Law No 2 of 1986 (replaced by Jebel Ali Free Zone Companies Implementing Regulations 2016) as a Free Zone Company and operates under Service License No. 4577 issued by Jebel Ali Free Zone Authority ("JAFZA"). The current license is valid until December 31, 2023.

b) The principal activities of the Company consist of containers loading and unloading services, and cargo loading and unloading services. In addition, the Company also generates rental income by making available space within its premises to related parties.

c) The Registered Office of the Company is Plot No MO0109 P.O. Box 28430, Jebel Ali 28430, Dubai, U.A.E.

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

2 SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is AED 1,300,000, divided into 13 shares of AED 100,000 each, and held between:

Name of the Shareholder	Nationality/Country of Incorporation	No. of shares	Amounts in AED	%
ECU Hold N.V.	Belgium	11	1,100,000	85
Ms. Juma Saif Bin Bakhit - Sponsor	Emirati	2	200,000	15
Total		13	1,300,000	100

The Company is part of the ECU Group of Companies. The Ultimate Controlling Party is Allcargo Global Logistics Ltd. The Ultimate Beneficial Owner is Mr. Shashi Kiran Shetty (Indian National).

3 BASIS FOR PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the IFRS Interpretations Committee (the "Committee"), the requirements of the Jebel Ali Free Zone Companies Implementing Regulations 2016 and the provisions of the UAE Federal Decree-Law No. (32) of 2021 on Commercial Companies (the "Federal Law") as may be applicable to Free Zone Companies.

b) Accounting convention

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

c) Functional and reporting currency

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

d) Changes in accounting policies

The accounting policies are consistent with those used in the previous financial year, except for the following amendments to IFRS that are mandatorily effective for accounting years beginning on or after January 1, 2022:



3 BASIS FOR PREPARATION (continued)

d) Changes in accounting policies (continued)

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 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Financial instruments

Financial assets and financial liabilities are recognised when the 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

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 or general and administrative expenses, as appropriate.

Financial assets at amortised cost

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

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

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

The Company's cash and cash equivalents, accounts receivable, other receivables (excluding prepaid expenses and VAT recoverable, net) and due from related party fall into this category of financial instruments.

Financial liabilities at amortised cost

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. The Company's accounts and other payables, due to related party and lease liabilities (current and non-current) fall into this category of financial instruments.

b) Cash and cash equivalents

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

c) Accounts receivable

Accounts receivable are stated at original invoice amount less the expected credit loss (ECL) allowance 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 ECL. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instruments. In calculating the provision, the Company takes account of its historical experience, external factors and forward-looking information to calculate the ECL using a provision matrix.

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



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Other receivables

Other receivables mainly consist of prepaid expenses, deposits and VAT recoverable - net, and are carried at amounts expected to be received whether through cash or services less provision as per the ECL model.

e) Related party transactions and balances

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, the Ultimate Parent Company and key management personnel.

f) Impairment of financial assets

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

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

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

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

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

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 realize the asset and settle the liability simultaneously.

h) Lease and right-of-use asset

The Company assesses whether a contract is or contains a lease at inception of the contract, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises liabilities to make lease payments and a right-of-use asset representing the right to use the underlying assets. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Right-of-use asset.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Lease and right-of-use asset (continued)

Right-of-use asset (continued)

Depreciation of right-of-use asset is calculated on a straight-line basis to allocate the cost over the remaining lease term as at the date of initial application of IFRS 16 (January 1, 2019) as follows:

<u>Asset</u>	<u>Remaining period</u>	<u>Period at the time IFRS 16 applied</u>
Warehouse	11 years	15 years

Lease liabilities

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

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

Right-of-use assets and lease liabilities are presented as separate line items in the statement of financial position. Depreciation related to right-of-use assets and interest costs on lease liabilities are charged to direct costs and finance costs, respectively.

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

i) 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 period in which they are incurred.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	4-10
Warehouse equipment	2-10
Office furniture and equipment	4
Vehicles	4

Depreciation is charged from the date an asset is available for use up to the date the asset is disposed of and allocated between direct costs and general and administrative expenses.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Property and equipment (continued)

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, with any change in estimate applied on a prospective basis.

j) 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.

k) Accounts and other payables

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

Other payables consists of accrued expenses.

l) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

m) Employees' end-of-service benefits

Provision is made for 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.

n) General reserve

The Shareholders of the Company decided to transfer 10% of the profit for each year to a general reserve. The Shareholders of the Company resolved to discontinue such transfers in 2017. This reserve can be used for distribution of dividend.

o) Contingent liabilities

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



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Revenue recognition

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

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

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

Revenue is recognised when (or as) the Company satisfies performance obligations by transferring the promised services to its customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The Company generates revenue through the following:

- Revenue from containers loading and unloading services, and cargo loading and unloading income is recognised at a point in time on final execution of orders of customers and agents; and
- Revenue from renting of warehouse spaces for storing cargo until it is delivered and is recognized at a point in time.

Rental income from related parties for use of JAFZA facilities are recognised as other income.

q) Expenses

Direct costs and benefits include all costs directly attributable to the generation of revenue and includes wages, salaries of revenue-generating employees, depreciation of right-of-use asset and property and equipment, and other direct expenses. All other expenses other than allowance for ECL which is classified separately on the face of statement of comprehensive income, are classified as general and administrative expenses or finance costs, as appropriate.

The related party recharges portion of salaries and allowances of key employees, and management fees to the Company which are recognised as general and administrative expenses.

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.

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.



5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The estimates and underlying assumptions are based on factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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 an assumption and estimate is significant to the financial statements, are as follows:

i) Allowance for expected credit losses on financial assets.

The Company assesses expected credit loss allowance for receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due. The Company deals with reputable banks to limit its credit risk with respect to cash in banks. Assessment is made by the management in line with IFRS 9. This assessment is reviewed by the management on a regular basis.

ii) Useful lives and residual values of property and equipment

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

iii) Interest rate used for discounting the lease liabilities

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

iv) 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 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 AED	2021 AED
	Cash in hand	17,940	21,367
	Cash at banks	346,373	356,753
		<u>364,313</u>	<u>378,120</u>

7	ACCOUNTS RECEIVABLE	2022 AED	2021 AED
	Accounts receivable - related parties (note 9.3)	347,149	-
	Accounts receivable - non related parties (notes 7.1, 7.2 and 7.3)	8,448	550
		<u>355,597</u>	<u>550</u>

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

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

	Total AED	Not past due AED	Past due but not impaired		
			91-120 days AED	121-180 days AED	>180 days AED
2022	<u>355,597</u>	<u>355,247</u>	-	-	350
2021	<u>550</u>	-	-	-	550

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 ECL, 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 period of up to 24 months to December 31, 2022 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding 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.

8	OTHER RECEIVABLES	2022 AED	2021 AED
	Deposits (note 8.1)	283,707	282,502
	VAT recoverable, net	94,395	225,974
	Prepaid expenses	80,630	85,417
		<u>458,732</u>	<u>593,893</u>

8.1 Deposit includes AED 230,000 under lien with JAFZA for labour visa guarantees (note 20.2).

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9 RELATED PARTY TRANSACTIONS AND BALANCES

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

9.1 Due from related party		2022 AED	2021 AED
ECU Line Middle East (L.L.C), U.A.E.	Fellow Subsidiary	<u>4,053,766</u>	<u>3,822,282</u>

9.2 Due to related party			
ECU Line Middle East (L.L.C), U.A.E.	Fellow Subsidiary	<u>-</u>	<u>13,266</u>

The related party balance is interest free with no set terms of repayment or security.

9.3 Related party balances included in accounts receivable (note 7)	<u>347,149</u>	<u>-</u>
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9.4 Transactions with related parties were as follows:

Revenue	<u>4,214,083</u>	<u>3,185,582</u>
Salaries and benefits reallocation (note 18)	<u>1,200,000</u>	<u>1,200,000</u>
Warehouse handling costs (note 16)	<u>742,305</u>	<u>-</u>
Management fee (note 18)	<u>608,117</u>	<u>682,253</u>
Warehouse rental income (note 17)	<u>151,967</u>	<u>152,012</u>

10 RIGHT-OF-USE ASSET

10.1 Cost	Warehouse AED
As at January 1, 2021, December 31, 2021 and December 31, 2022	<u>6,477,922</u>

10.2 Accumulated depreciation	
As at January 1, 2021	863,723
Charge for the year (notes 10.5 and 16)	431,861
As at December 31, 2021	<u>1,295,584</u>
Charge for the year (notes 10.5 and 16)	431,861
As at December 31, 2022	<u>1,727,445</u>

10.3 Net book value	
As at December 31, 2022	<u>4,750,477</u>
As at December 31, 2021	<u>5,182,338</u>

10.4 The Company entered into a lease agreement dated January 1, 2019 with JAFZA Authority for the lease of a warehouse for a period of 15 years commencing as of January 1, 2019 and expiring on December 31, 2033.

10.5 The following amounts are recognised in the statement of comprehensive income:

	2022 AED	2021 AED
Depreciation of right-of-use asset (notes 10.2 and 16)	431,861	431,861
Interest on lease liability (notes 13.1 and 19)	102,197	110,056
	<u>534,058</u>	<u>541,917</u>



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11	PROPERTY AND EQUIPMENT	Buildings and improvements	Warehouse equipment	Office furniture and equipment	Vehicles	Total
		AED	AED	AED	AED	AED
11.1	Cost					
	As at January 1, 2021	8,039,007	3,856,116	199,429	907,368	13,001,920
	Additions	-	-	1,600	-	1,600
	Written off	-	(21,200)	(57,138)	-	(78,338)
	As at December 31, 2021	8,039,007	3,834,916	143,891	907,368	12,925,182
	Additions	-	-	16,965	324,100	341,065
	Written off	-	-	-	(6,800)	(6,800)
	As at December 31, 2022	8,039,007	3,834,916	160,856	1,224,668	13,259,447
11.2	Accumulated depreciation					
	As at January 1, 2021	7,597,009	3,734,610	196,650	907,368	12,435,637
	Charge for the year (note 11.4)	112,104	68,360	1,908	-	182,372
	Written off	-	(21,200)	(57,138)	-	(78,338)
	As at December 31, 2021	7,709,113	3,781,770	141,420	907,368	12,539,671
	Charge for the year (note 11.4)	85,560	53,146	3,965	31,907	174,578
	Written off	-	-	-	(6,800)	(6,800)
	As at December 31, 2022	7,794,673	3,834,916	145,385	932,475	12,707,449
11.3	Net book value					
	As at December 31, 2022	244,334	-	15,471	292,193	551,998
	As at December 31, 2021	329,894	53,146	2,471	-	385,511
11.4	Depreciation is allocated as follows:				2022 AED	2021 AED
	Direct costs (note 16)				122,205	127,660
	General and administrative expenses (note 18)				52,373	54,712
					174,578	182,372
11.5	Fully-depreciated assets costing AED 11,837,612 (2021: AED 10,789,668) were still in use as at the year-end.					
11.6	Depreciation is allocated between direct costs and general and administrative expenses at a 70:30 ratio.					
12	ACCOUNTS AND OTHER PAYABLES				2022 AED	2021 AED
	Accounts payable				124,895	140,163
	Accrued expenses				716,160	251,103
					841,055	391,266
13	LEASE LIABILITY				2022 AED	2021 AED
					404,282	389,344
	Non-current portion				4,531,364	4,943,505
					4,935,646	5,332,849



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13 LEASE LIABILITY (continued)

13.1 The movement in lease liability was as follows:

	2022	2021
	AED	AED
Balance as at the beginning of the year	5,332,849	5,722,193
Accretion of interest (notes 10.5 and 19)	102,197	110,056
Lease payments during the year	(499,400)	(499,400)
Balance as at the end of the year	<u>4,935,646</u>	<u>5,332,849</u>

13.2 The maturity analysis of the lease liability as at the reporting date was as follows:

	Gross liability	Deferred interest	Net liability
	AED	AED	AED
2022			
Within 1 year	499,400	(95,118)	404,282
After 1 to 5 years	2,497,000	(350,058)	2,146,942
More than 5 years	2,497,000	(112,578)	2,384,422
	<u>5,493,400</u>	<u>(557,754)</u>	<u>4,935,646</u>
2021			
Within 1 year	499,400	(103,103)	396,297
After 1 to 5 years	2,497,000	(392,465)	2,104,535
More than 5 years	2,996,400	(164,383)	2,832,017
	<u>5,992,800</u>	<u>(659,951)</u>	<u>5,332,849</u>

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

14 EMPLOYEES' END-OF-SERVICE BENEFITS

	2022	2021
	AED	AED
Balance at the beginning of the year	1,205,098	1,038,568
Provided for the year	114,441	179,878
Paid during the year	(81,397)	(13,348)
Balance at the end of the year	<u>1,238,142</u>	<u>1,205,098</u>

15 REVENUE

	2022	2021
	AED	AED
<u>At a point in time</u>		
Revenue from others	7,489,396	6,035,914
Revenue from related parties	4,214,083	3,185,582
	<u>11,703,479</u>	<u>9,221,496</u>

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



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16	DIRECT COSTS	2022 AED	2021 AED
	Wages, salaries and benefits	3,883,203	3,493,699
	Direct costs and related activities	711,335	178,031
	Fuel costs	539,997	270,195
	Depreciation of right-of-use asset (note 10.2)	431,861	431,861
	Depreciation of property and equipment (note 11.4)	122,205	127,660
	Warehouse handling costs (note 9.4)	742,305	-
	Other direct costs	34,743	28,644
		<u>6,465,649</u>	<u>4,530,090</u>
17	OTHER INCOME	2022 AED	2021 AED
	Warehouse rental income (note 9.4)	<u>151,967</u>	<u>152,012</u>
18	GENERAL AND ADMINISTRATIVE EXPENSES	2022 AED	2021 AED
	Salaries and benefits	1,200,000	1,200,000
	Legal, visa and professional fees	754,561	264,040
	Repairs and maintenance expenses	699,431	629,943
	Management fees (note 9.4)	608,117	682,253
	Communications and utilities	113,946	113,200
	Insurance	84,774	88,582
	Travelling and entertainment	52,988	42,184
	Depreciation of property and equipment (note 11.4)	52,373	54,712
	Printing and stationery	39,274	43,091
	Rent - short term lease	21,540	-
	Bank charges	3,886	6,218
	Other expenses	19,878	6,859
		<u>3,650,768</u>	<u>3,131,082</u>
19	FINANCE COSTS	2022 AED	2021 AED
	Interest on lease liability (notes 10.5 and 13.1)	<u>102,197</u>	<u>110,056</u>
20	COMMITMENTS AND CONTINGENCIES		
20.1	Capital and operating expenditure commitments		
	The Company did not have any capital or operating expenditure commitments as at the reporting date.		
20.2	Contingent liabilities	2022 AED	2021 AED
	Labour visa guarantees	<u>230,000</u>	<u>230,000</u>
	Are secured by way of lien over deposits held by JAFZA (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 it did not have any interest-bearing financial assets or financial liabilities as at the reporting date, and the lease liability is on a fixed rate of interest.

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 AED	2021 AED
Cash at banks (note 6)	346,373	356,753
Accounts receivable (note 7)	355,597	550
Other receivables (excluding prepaid expenses and VAT recoverable, net) (note 8)	283,707	282,502
Due from related party (note 9.1)	4,053,766	3,822,282
	<u>5,039,443</u>	<u>4,462,087</u>

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

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

Receivables consist of deposits that are mainly with government entities and are recoverable in full.

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid funds to meet its liabilities as they fall due. The Company limits its liquidity risk by managing its cash flows. The Company's terms of contract require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 30 days from the date of purchase.

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

	Less than 12 months AED	More than 1 year AED	Total AED
2022			
Accounts and other payables (note 12)	656,450	-	656,450
Lease liability-gross (note 13.2)	499,400	4,994,000	5,493,400
	<u>1,155,850</u>	<u>4,994,000</u>	<u>6,149,850</u>
2021			
Due to related party (note 9.2)	13,266	-	13,266
Accounts and other payables (note 12)	391,266	-	391,266
Lease liability-gross (note 13.2)	499,400	5,493,400	5,992,800
	<u>903,932</u>	<u>5,493,400</u>	<u>6,397,332</u>

21 RISK MANAGEMENT (continued)

Foreign currency risk

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

Most of the Company's transactions are carried out in AED and USD. Since the conversion rate of the USD is pegged to AED, no fluctuation risk is involved.

22 FAIR VALUES

The management assesses the fair values of all its financial assets and financial liabilities at each reporting date.

The fair values of the financials assets and liabilities are considered at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of cash and cash equivalents, accounts receivable, other receivables (excluding prepaid expenses and VAT recoverable), accounts and other payables and current portion of lease liability approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

23 SIGNIFICANT EVENTS

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

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.

