

ECU LINE MIDDLE EAST LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2018

ECU LINE MIDDLE EAST LLC
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2018

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DIRECTORS' REPORT

The Directors present their report and financial statements of ECU Line Middle East LLC for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES OF THE COMPANY

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

FINANCIAL REVIEW

The table below summarises the financial results:

	2018 AED	2017 AED
Revenues	52,462,772	50,166,423
Gross profit	5,264,264	6,596,358
Gross profit margin	10.03%	13.15%
Profit for the year	648,593	2,485,847

AUDITORS

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

EVENTS AFTER YEAR-END

In the opinion of the Directors, no transaction or event of a material and unusual nature, favourable or unfavourable, has arisen in the interval between the end of the year and the date of this report, that is likely to affect substantially the result of the operations or the financial position of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The audited financial statements for the year under review have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Directors confirm that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the applicable statute. The Directors also confirm that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Company's financial conditions 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 February 28, 2019.

Mr. Don Varuna Wirasinha
Managing Director



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE MIDDLE EAST LLC

Opinion

We have audited the financial statements of ECU Line Middle East LLC including a Branch in Jebel Ali Free Zone (collectively "the Company"), which comprise the statement of financial position as at December 31, 2018, 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, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Matter

Management is responsible for the other information. The other information comprises the Directors' report set out on page 1.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, in compliance with provisions of U.A.E Federal Law No. 2 of 2015 (the "Federal Law"), and the applicable provisions of Jebel Ali Free Zone Implementing Regulations 2016 ("Implementing Regulations"), as may be applicable to branches of U.A.E Commercial Companies, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine if there are any matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We have determined that there are no key audit matters to communicate in our report.

Report on 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 of the Company;
- 3) the Company has maintained proper book of accounts; and
- 4) 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, 2018 any of the applicable provisions of the Federal Law or of its Memorandum of Association which would materially affect its activities or its financial position as at December 31, 2018.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ECU LINE MIDDLE EAST LLC (continued)****Report on Legal and Regulatory Requirements (continued)**

In addition to the Federal Law or the applicable provisions of the Implementing Regulations, as may be applicable to a Branch of a U.A.E. Commercial Company, 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 and of the Federal Law as may be applicable to Free Zone Companies which might have materially affected the financial position of the Company or the results of its operations for the year ended December 31, 2018.



Baker Tilly MKM
Chartered Accountants
Dubai, United Arab Emirates



Mago JB Singh,
FCA, CPA, CMA, CFC, CIBA, CRMA, M.Sc. (Ind. Eng.), MBA
Partner, ELA Number 493

February 28, 2019

ECU LINE MIDDLE EAST LLC
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2018

	Note	2018 AED	2017 AED
ASSETS			
Current assets			
Cash and cash equivalents	5	518,251	2,463,200
Trade receivables	6	7,024,301	7,981,221
Other receivables	7	1,666,364	1,846,364
Due from related parties	8	-	1,236,765
		<u>9,208,916</u>	<u>13,527,550</u>
Non-current assets			
Property and equipment	9	60,470	33,352
Total assets		<u>9,269,386</u>	<u>13,560,902</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	4,563,240	6,544,523
Due to related parties	8	1,197,849	1,811,287
		<u>5,761,089</u>	<u>8,355,810</u>
Non-current liabilities			
Employees' end-of-service benefits	11	2,409,704	2,269,245
Total liabilities		<u>8,170,793</u>	<u>10,625,055</u>
Equity			
Share capital	2	300,000	300,000
Statutory reserve		150,000	150,000
Retained earnings		648,593	2,485,847
Total equity		<u>1,098,593</u>	<u>2,935,847</u>
Total equity and liabilities		<u>9,269,386</u>	<u>13,560,902</u>

The accompanying notes 1 to 17 form an integral part of the financial statements.

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

The financial statements were authorised for issue on February 28, 2019 by:


Don Varuna Wirasinha
Managing Director



ECU LINE MIDDLE EAST LLC
Dubai - United Arab Emirates

Statement of comprehensive income
For the year ended December 31, 2018

	Note	2018 AED	2017 AED
Revenue		52,462,772	50,166,423
Direct costs	12	(47,198,508)	(43,570,065)
Gross profit		5,264,264	6,596,358
Other income	13	393,672	429,894
Selling and distribution expenses		(14,780)	(10,757)
General and administrative expenses	14	(4,994,563)	(4,529,648)
Profit for the year		648,593	2,485,847
Other comprehensive income		-	-
Total comprehensive income for the year		648,593	2,485,847

The accompanying notes 1 to 17 form an integral part of the financial statements.

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



ECU LINE MIDDLE EAST LLC
Dubai - United Arab Emirates

Statement of cash flows
For the year ended December 31, 2018

	Note	2018 AED	2017 AED
Cash flows from operating activities			
Profit for the year		648,593	2,485,847
Adjustments for:			
Depreciation of property and equipment	9	27,658	48,071
Sundry creditors written-off	13	(253,631)	(224,714)
Provision for employees' end-of-service benefits	11	315,883	102,000
Provision for doubtful debts	6	57,892	48,000
Operating profit before working capital changes		796,395	2,459,204
Decrease in trade receivables		899,028	2,241,542
Decrease in other receivables		180,000	298,876
Decrease/(increase) in related parties - net		623,327	(603,152)
(Decrease) in trade and other payables		(1,727,652)	(1,790,445)
Cash generated from operations		771,098	2,606,025
Employees' end-of-service benefits paid	11	(175,424)	(64,079)
Net cash generated from operating activities		595,674	2,541,946
Cash flows from investing activities			
Purchase of property and equipment	9	(54,776)	(1,749)
Net cash (used in) investing activities		(54,776)	(1,749)
Cash flows from financing activities			
Dividends paid		(2,485,847)	(2,534,953)
Net cash (used in) investing activities		(2,485,847)	(2,534,953)
Net (decrease)/increase in cash and cash equivalents		(1,944,949)	5,244
Cash and cash equivalents at the beginning of the year	5	2,463,200	2,457,956
Cash and cash equivalents at the end of the year	5	518,251	2,463,200

The accompanying notes 1 to 17 form an integral part of the financial statements.

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



ECU LINE MIDDLE EAST LLC
Dubai - United Arab Emirates

Statement of changes in equity
For the year ended December 31, 2018

	Share capital AED	Statutory reserve AED	Retained earnings AED	Total AED
As at January 1, 2017	300,000	150,000	2,534,953	2,984,953
Dividends	-	-	(2,534,953)	(2,534,953)
Total comprehensive income for the year	-	-	2,485,847	2,485,847
As at December 31, 2017	300,000	150,000	2,485,847	2,935,847
Dividends	-	-	(2,485,847)	(2,485,847)
Total comprehensive income for the year	-	-	648,593	648,593
	<u>300,000</u>	<u>150,000</u>	<u>648,593</u>	<u>1,098,593</u>

The accompanying notes 1 to 17 form an integral part of the financial statements.

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



1. LEGAL STATUS AND BUSINESS ACTIVITIES

- a) ECU Line Middle East LLC (the "Company") was incorporated on August 2, 1999 and registered with the Department of Economic Development (now Dubai Economy), Government of Dubai, U.A.E as a Limited Liability Company and operates under Commercial License No. 513445. The Company has a branch which was registered on September 15, 1999 and operates in U.A.E under Logistic License No. 2343 issued by the Commercial Registration Department of Jebel Ali Free Zone Authority ("JAFZA").
- b) The Company is licensed to provide services as a customs broker, cargo loading and unloading, cargo packaging, sea cargo, air cargo, and sea shipping lines agents, distribution and logistics.
- 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 100 shares of AED 3,000 each, and was held by the shareholders as at December 31, 2018 as follows:

Name of the Shareholder	Nationality/Country of Incorporation	No. of shares	Amount in AED	%
Heirs of Mr. Juma Saif Rashid bin Bakhit* - Sponsor	Emirati	51	153,000	51
ECU HOLD N.V.	Belgium	49	147,000	49
Total		100	300,000	100

The Company is part of the ECU Group of Companies and the ultimate controlling party is Allcargo Global Logistics Limited.

*The shareholder Mr. Juma Saif Rashid bin Bakhit, expired in the year 2015. As per the order of the Dubai Court dated August 10, 2015, the inheritance of the shares of the deceased was transferred to his heirs, who appointed Miss Maitha Juma Saif bin Bakhit Al Falasi as the representative of the estate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

b) Accounting convention

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Functional and reporting currency

The functional and reporting currency of the Company is United Arab Emirates Dirhams ("AED"), as most of its transactions are effected in that currency.

d) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or before January 1, 2018:

New and amended standards

- | | |
|------------------------|---|
| • Amendments to IAS 40 | Investment Property |
| • Amendments to IFRS 2 | Share-based Payment |
| • Amendments to IFRS 4 | Insurance Contracts (to be superseded by IFRS 17) |
| • IFRS 9 | Financial Instruments |
| • IFRS 15 | Revenue from Contracts with Customers |
| • IFRIC 22 | Foreign Currency Transactions and Advance Consideration |
| • Annual improvements | IFRS Standards 2014-2016 Cycle |
| | ▪ IAS 28 Investments in Associates and Joint Ventures |
| | ▪ IFRS 1 First-time Adoption of International Financial Reporting Standards |

The adoption of these new standards, improvements, amendments and interpretations did not have a material impact on the Company for the year ended December 31, 2018.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 did not have any impact on the Company's opening retained earnings.

From January 1, 2018, the Company assesses on a forward-looking basis, the expected credit losses associated with its trade receivables and other financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9, and the Company has no hedging activities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Changes in accounting policies (continued)

The standard requires the Company to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The adoption of IFRS 15 did not have any significant impact on the Company's financial position and results of operations for the year ended December 31, 2018, and no effect on the opening retained earnings.

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 and hence have not been early adopted by the Company in preparing the financial statements for the year ended December 31, 2018.

- | | |
|------------------------|--|
| • Amendments to IAS 1 | Presentation of Financial Statements (January 1, 2020) |
| • Amendments to IAS 8 | Accounting Policies, Change in Accounting Estimates and Errors (January 1, 2020) |
| • Amendments to IAS 19 | Employee Benefits (January 1, 2019) |
| • Amendments to IAS 28 | Investments in Associates and Joint Ventures (January 1, 2019) |
| • Amendments to IFRS 3 | Business Combinations (January 1, 2020) |
| • Amendments to IFRS 7 | Financial Instruments: Disclosures (January 1, 2019) |
| • Amendments to IFRS 9 | Financial Instruments (January 1, 2019) |
| • IFRS 16 | Leases (January 1, 2019) |
| • IFRS 17 | Insurance Contracts (January 1, 2022) |
| • IFRIC 23 | Uncertainty over Income Tax Treatments (January 1, 2019) |
| • Annual improvements | IFRS Standards 2015-2017 Cycle (January 1, 2019) |
| | ▪ IAS 12 Income Taxes |
| | ▪ IAS 23 Borrowing Costs |
| | ▪ IFRS 3 Business Combinations |
| | ▪ IFRS 11 Joint Arrangements |

Management anticipates that all of the above standards, amendments and interpretations will be adopted by the Company to the extent applicable, from their effective dates. Management is currently assessing the impact that IFRS 16 could have on the Company. Otherwise, the adoption of these standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company in the year of their initial application.

e) Financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, 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)
- 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
- ii. the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables and due from related parties which are presented within general and administrative expenses.

Financial assets at amortised cost

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

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

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

The Company's cash and cash equivalents, deposits with financial institutions, trade and other receivables, and due from related parties fall into this category of financial instruments.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and balances and deposits with banks with a maturity date of three months or less from the date of the deposit.

g) Trade receivables

Trade receivables are stated at original invoice amount less provision for any uncollectible amounts as per the expected credit loss model. Bad debts are written off when there is no possibility of recovery.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Other receivables

Other receivables consists of prepaid expenses and deposits and are carried at amounts expected to be received whether through cash or services less provision for any uncollectible amounts as per the expected credit loss model.

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

Deferred costs are costs that have already been incurred, but which will be charged to expense in a later reporting period, as and when the performance obligations are met.

i) Related party balances and transactions

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

Related party balances are assessed for non-collectability as per the expected credit loss model.

j) Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the expected credit loss (ECL) model. Instruments within the scope of the new requirements includes financial assets measured at amortised cost, such as trade receivables measured under IFRS 15. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event, instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, 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"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" covers financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

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

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Offsetting of financial assets and liabilities

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

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition and bringing of the asset to its working condition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When a part is replaced, and the new part capitalised, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the statement of profit or loss and other 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 over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Furniture, fixtures and office equipment	3-5
Vehicles	4-5

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

m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

n) Trade 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.

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

Accrued costs are the cost of goods or services received or incurred during a period for which the supplier invoice is in transit as at the reporting date.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Offsetting of financial assets and liabilities

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

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition and bringing of the asset to its working condition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When a part is replaced, and the new part capitalised, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the statement of profit or loss and other 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 over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Furniture, fixtures and office equipment	3-5
Vehicles	4-5

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

m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

n) Trade 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.

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

Accrued costs are the cost of goods or services received or incurred during a period for which the supplier invoice is in transit as at the reporting date.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Employees' end-of-service benefits

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

p) 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.

q) Statutory reserve

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

r) 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.

s) Revenue recognition

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

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

- i. Identifying the contract with a customer
- ii. Identifying the performance obligations
- iii. Determining the transaction price
- iv. Allocating the transaction price to the performance obligations
- 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Revenue recognition (continued)

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

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

Scrap sales, gains on disposal of property and equipment and miscellaneous receipts are recognised as "other income" on realised amounts.

t) Expenses

Direct costs include all costs directly attributable to the generation of revenue and includes wages and salaries of revenue-generating employees, rent expense, and other direct costs. All other expenses are classified as general and administrative expenses or selling and distribution expenses, as appropriate.

u) Foreign currency transactions and translations

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The 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 doubtful receivables

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

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5	CASH AND CASH EQUIVALENTS	2018	2017
		AED	AED
	Cash in hand	127,504	127,264
	Cash at bank	390,747	2,335,936
		<u>518,251</u>	<u>2,463,200</u>

5.1 The cash at bank balance does not include an Arab Emirates Dirham account in the name of the Company in one bank, as this is being used by a related party, ECU Line Abu Dhabi LLC, for its beneficial interest.

6	TRADE RECEIVABLES	2018	2017
		AED	AED
	Trade receivables - non related parties	6,912,591	5,780,995
	Trade receivables - related parties (note 8.4)	886,710	2,933,838
		<u>7,799,301</u>	<u>8,714,833</u>
	Less: allowance for doubtful debts (6.2)	(775,000)	(733,612)
	Trade receivables - net (6.1)	<u>7,024,301</u>	<u>7,981,221</u>

6.1 As at 31 December, the ageing analysis of trade receivables was as follows:

			Past due		
	Total	Not	91-120	121-180	>180
	AED	past due	days	days	days
	AED	AED	AED	AED	AED
2018	7,799,301	6,612,041	376,907	367,804	437,363
2017	8,714,833	7,841,759	277,643	151,274	444,157

The Company's credit period is 90 days after which date trade receivables are considered to be past due. Receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

6.2	Allowance for doubtful debts	2018	2017
		AED	AED
	Balance at the beginning of the year	733,612	747,258
	Provided for during the year (note 14)	57,892	48,000
	Written - off during the year	(16,504)	(61,646)
	Balance at the end of the year	<u>775,000</u>	<u>733,612</u>

6.3 Expected credit losses

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

6 TRADE RECEIVABLES (continued)

6.3 Expected credit losses (continued)

The expected loss rates are based on the payment profile for sales over the past 24 months before December 31, 2018 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.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 90 days from the invoice date is considered indicators of no reasonable expectation of recovery.

On the above basis, the expected credit losses for trade receivables as at December 31, 2018 was determined as follows:

	Trade receivables	Rate	Provision (IFRS 9)
Slabs			
0-90 days	6,612,041	0.9%	59,508
91-120 days	376,907	25%	94,227
121-180 days	367,804	50%	183,902
More than 180 days	437,363	100%	437,363
	<u>7,794,115</u>		<u>775,000</u>

7 OTHER RECEIVABLES

	2018 AED	2017 AED
Deposits	1,423,340	1,422,040
Prepaid expenses	211,990	204,820
Others	31,034	219,504
	<u>1,666,364</u>	<u>1,846,364</u>

8 RELATED PARTY TRANSACTIONS AND BALANCES

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

8.1 Due from related parties	Relationship	2018 AED	2017 AED
Ecuhold N.V., Belgium	Shareholder	-	466,545
Ecuhold N.V., Dubai	Group Company	-	770,220
		<u>-</u>	<u>1,236,765</u>

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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

8.2 Due to related parties	Relationship	2018 AED	2017 AED
Eurocentre FZCO, Dubai	Group Company	608,365	1,672,406
ECU Line Worldwide (Bahrain) W.L.L., Bahrain	Group Company	346,035	136,837
Allcargo Logistics L.L.C, Dubai	Group Company	211,865	-
Ecuhold N.V., Dubai	Group Company	31,584	-
ECU Line Abu Dhabi LLC, Abu Dhabi	Group Company	-	2,044
		<u>1,197,849</u>	<u>1,811,287</u>

8.3 The balances with related parties were interest-free with no set terms of repayment or security.

	2018 AED	2017 AED
8.4 Related party balances included in trade receivables (note 6)	<u>886,710</u>	<u>2,933,838</u>
Related party balances included in trade and other payables (note 10)	<u>357,254</u>	<u>2,889,289</u>

8.5 Transactions with related parties during the year were as follows:	2018 AED	2017 AED
Revenue (note 8.6)	8,486,208	9,487,658
Direct costs (note 8.7)	10,612,382	11,594,579
Management fee income (note 13)	60,000	67,370
Management fee expense (note 14)	<u>681,640</u>	<u>653,891</u>

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

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

9 PROPERTY AND EQUIPMENT

9.1 Cost	Furniture, fixtures and office equipment AED	Vehicles AED	Total AED
As at January 1, 2017	977,719	282,270	1,259,989
Additions during the year	1,749	-	1,749
As at December 31, 2017	<u>979,468</u>	<u>282,270</u>	<u>1,261,738</u>
Additions during the year	54,776	-	54,776
Disposals during the year	(70,397)	-	(70,397)
As at December 31, 2018	<u>963,847</u>	<u>282,270</u>	<u>1,246,117</u>



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9 PROPERTY AND EQUIPMENT (continued)

9.2 Depreciation

	Furniture, fixtures and office equipment AED	Vehicles AED	Total AED
As at January 1, 2017	910,783	269,532	1,180,315
Charge for the year	39,571	8,500	48,071
As at December 31, 2017	950,354	278,032	1,228,386
Charge for the year	23,420	4,238	27,658
Disposal during the year	(70,397)	-	(70,397)
As at December 31, 2018	903,377	282,270	1,185,647

9.3 Net book values

As at December 31, 2017	29,114	4,238	33,352
As at December 31, 2018	60,470	-	60,470

9.4 Assets fully depreciated at the year end had cost of AED 1,152,523 (2017: AED 1,157,890).

10 TRADE AND OTHER PAYABLES

	2018 AED	2017 AED
Trade payables - non related parties	2,065,044	1,001,185
Trade payables - related parties (note 8.4)	357,254	2,889,289
	2,422,298	3,890,474
Provisions and accrued expenses	2,140,942	2,550,563
Deferred revenue	-	103,486
	4,563,240	6,544,523

11 EMPLOYEES' END-OF-SERVICE BENEFITS

	2018 AED	2017 AED
Balance at the beginning of the year	2,269,245	2,231,324
Provided for during the year	315,883	102,000
Paid during the year	(175,424)	(64,079)
Balance at the end of the year	2,409,704	2,269,245

12 DIRECT COSTS

	2018 AED	2017 AED
Direct costs of export and related activities	19,419,822	17,863,004
Direct costs of import and related activities	23,400,775	21,928,502
Salaries and benefits	4,377,911	3,778,559
	47,198,508	43,570,065

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13	OTHER INCOME	2018 AED	2017 AED
	Sundry creditors written-off	253,631	224,714
	Management fee income (note 8.5)	60,000	67,370
	Foreign currency exchange gains - net	34,632	2,569
	Other income	45,409	135,241
		<u>393,672</u>	<u>429,894</u>
14	GENERAL AND ADMINISTRATIVE EXPENSES	2018 AED	2017 AED
	Salaries and benefits	2,918,608	2,519,039
	Management fee (note 8.5)	681,640	653,891
	Insurance	289,742	282,859
	Legal, visa and professional fees	222,864	261,613
	Telephone and communications	215,340	196,290
	Travelling and entertainment	170,767	165,063
	Repairs and maintenance	113,520	129,572
	Utilities	118,899	118,590
	Rent	110,575	51,837
	Provision for doubtful debts (note 6)	57,892	48,000
	Depreciation (note 9)	27,658	48,071
	Bank charges	32,393	26,068
	Other expenses	34,665	28,755
		<u>4,994,563</u>	<u>4,529,648</u>

15 COMMITMENTS AND CONTINGENCIES

15.1 Capital and operating expenditure commitments

The Company did not have any significant capital or operating expenditure commitments as at the reporting date. Rent is renewed on an annual basis.

15.2 Contingent liabilities

2018 AED	2017 AED
<u>550,000</u>	<u>550,000</u>

16 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 significantly exposed to interest rate risk as there were no interest bearing assets or liabilities as at the reporting date.



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16 RISK MANAGEMENT (continued)**Credit risk**

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

	2018 AED	2017 AED
Cash at bank	390,747	2,335,936
Trade receivables	7,024,301	7,981,221
Deposits	1,423,340	1,422,040
Due from related parties	-	1,236,765
	<u>8,838,388</u>	<u>12,975,962</u>

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

Credit risks related to trade receivables are managed subject to the Company's policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria and the credit quality of customers is assessed by management. The rating and credit quality is used to determine the expected credit losses for customer receivables in line with IFRS 9. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Other receivables consist mainly of deposits with government entities and margin deposits with banks that are recoverable in full.

Due from related parties relates to transactions with minimal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company limits its credit risk by managing its cash flows.

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

The table below summarises the maturities of the Company's undiscounted financial liabilities at December 31.

	Less than 6 months AED
2018	
Trade and other payables (excluding deferred revenue)	4,563,240
Due to related parties	1,197,849
	<u>5,761,089</u>
2017	
Trade and other payables (excluding deferred revenue)	6,441,037
Due to related parties	1,811,287
	<u>8,252,324</u>



16 RISK MANAGEMENT (continued)

Foreign currency risk

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

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

17 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.