

EUROCENTRE FZCO

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EUROCENTRE FZCO

Opinion

We have audited the financial statements of Eurocentre FZCO ("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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, Jebel Ali Free Zone Companies Implementing Regulations 2016 ("Implementing Regulations") and the U.A.E Federal Law No. 2 of 2015 (the "Federal Law"), as may be applicable to Free Zone 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EUROCENTRE FZCO (continued)

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

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
- 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
EUROCENTRE FZCO (continued)****Report on Legal and Regulatory Requirements**

As required by the provisions of the Implementing Regulations and the Federal Law, 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

EUROCENTRE FZCO

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	178,761	113,965
Due from related party	6	608,365	1,672,406
Receivables	7	491,456	364,650
		<u>1,278,582</u>	<u>2,151,021</u>
Non-current assets			
Property and equipment	8	1,341,762	1,664,217
Total assets		<u><u>2,620,344</u></u>	<u><u>3,815,238</u></u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	9	<u>122,870</u>	<u>285,010</u>
Non-current liabilities			
Employees' end-of-service benefits	10	<u>962,838</u>	<u>997,428</u>
Total liabilities		<u><u>1,085,708</u></u>	<u><u>1,282,438</u></u>
Equity			
Share capital	2	1,300,000	1,300,000
General reserve		583,208	583,208
(Accumulated losses)/retained earnings		<u>(348,572)</u>	<u>649,592</u>
Total equity		<u><u>1,534,636</u></u>	<u><u>2,532,800</u></u>
Total liabilities and equity		<u><u>2,620,344</u></u>	<u><u>3,815,238</u></u>

The accompanying notes 1 to 16 form an integral part of the financial statements.

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

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


Don Varuna Wirasinha
Managing Director



EUROCENTRE FZCO

Dubai - United Arab Emirates

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

	Note	2018 AED	2017 AED
Revenue		8,123,031	9,653,266
Direct costs	11	(5,571,437)	(5,895,766)
Gross profit		2,551,594	3,757,500
Other income	12	87,050	90,890
General and administrative expenses	13	(2,987,216)	(3,198,798)
(Loss)/profit for the year		(348,572)	649,592
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(348,572)	649,592

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EUROCENTRE FZCO

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			
(Loss)/profit for the year		(348,572)	649,592
Adjustments for:			
Depreciation of property and equipment	8	542,455	553,450
(Gain) on disposal of property and equipment		(476)	(6,000)
Provision for employees' end-of-service benefits	10	106,928	24,091
Operating profit before working capital changes		300,335	1,221,133
(Increase)/decrease in receivables		(126,806)	28,968
Decrease in due from related party		1,064,041	249,974
(Decrease) in trade and other payables		(162,140)	(43,482)
Cash generated from operations		1,075,430	1,456,593
Employees' end-of-service benefits paid	10	(141,518)	(8,420)
Net cash generated from operating activities		933,912	1,448,173
Cash flows from investing activities			
Acquisition of property and equipment	8	(220,000)	(112,250)
Proceeds from disposal of property and equipment		476	6,000
Net cash (used in) investing activities		(219,524)	(106,250)
Cash flows from financing activities			
Dividend paid during the year		(649,592)	(1,481,131)
Net cash (used in) financing activities		(649,592)	(1,481,131)
Net increase/(decrease) in cash and cash equivalents		64,796	(139,208)
Cash and cash equivalents at the beginning of the year	5	113,965	253,173
Cash and cash equivalents at the end of the year	5	178,761	113,965

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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, 2018

	Share capital AED	General reserve AED	Retained earnings/ (accumulated losses) AED	Total AED
As at January 1, 2017	1,300,000	583,208	1,481,131	3,364,339
Dividends	-	-	(1,481,131)	(1,481,131)
Total comprehensive income for the year	-	-	649,592	649,592
As at December 31, 2017	1,300,000	583,208	649,592	2,532,800
Dividends	-	-	(649,592)	(649,592)
Total comprehensive (loss) for the year	-	-	(348,572)	(348,572)
As at December 31, 2018	1,300,000	583,208	(348,572)	1,534,636

The accompanying notes 1 to 16 form an integral part of the financial statements.

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



EUROCENTRE FZCO

Dubai - United Arab Emirates

Notes to the financial statements
For the year ended December 31, 2018

1. LEGAL STATUS AND BUSINESS ACTIVITIES

- a) Eurocentre FZCO (the "Company") was incorporated on January 1, 2004 and registered with Jebel Ali Free Zone Authority ("JAFZA") Dubai, U.A.E as a Free Zone Company and operates under Service License No. 4577 issued by JAFZA.
- b) The principal activities of the Company consist of containers loading and unloading services, and cargo loading and unloading services. The Company has also obtained a general trading license and trades in industrial motion and control technologies parts.
- 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 1,300,000, divided into 13 shares of AED 100,000 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	%
Ecuhold N.V.	Belgium	11	1,000,000	85
Heirs of Mr. Juma Saif Rashid bin Bakhit* - Sponsor	Emirati	2	200,000	15
Total		13	1,300,000	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"), Jebel Ali Free Zone Companies Implementing Regulations 2016, and U.A.E Federal Law No. 2 of 2015, 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.



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 affected 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)

IFRS 15 Revenue from Contracts with Customers (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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

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

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 institution, 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) Receivables

Receivables mainly consist 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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, their partners and key management personnel.

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

i) 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.

j) 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.

k) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Property and equipment (continued)

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 over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	4-10
Warehouses and 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.

l) 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.

m) 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.

n) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Employees' end-of-service benefits

Provision is made for the 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 is calculated annually based on their basic remuneration.

p) General reserve

The shareholders of the Company decided to transfer 10% of the profit for each year to a general reserve. The Company resolved to discontinue such transfers in 2017.

q) 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.

r) 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 goods or 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Revenue recognition (continued)

The Company generates revenue through the following:

- Revenue from containers loading and unloading services, and cargo loading and unloading services is recognised on final execution of orders of customers and agents.
- Revenue from the sales of goods is recognised when or as the Company transfers control of the products to the customer. Invoices for goods or services transferred are due upon delivery to the customers.

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

s) Expenses

Direct costs include all costs directly attributable to the generation of revenue and includes wages and salaries of revenue-generating employees, depreciation of property and equipment, rent expenses, and other direct expenses. All other expenses are classified as general and administrative expenses.

t) Foreign currency transactions and translations

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

i) Useful lives and residual values of property and equipment

The Company reviews the useful lives and residual values of property and equipment (note 3k) 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.

EUROCENTRE FZCO

Dubai - United Arab Emirates

Notes to the financial statements

For the year ended December 31, 2018

5	CASH AND CASH EQUIVALENTS	2018 AED	2017 AED
	Cash in hand	10,000	10,000
	Cash at bank	168,761	103,965
		<u>178,761</u>	<u>113,965</u>

6 RELATED PARTY TRANSACTIONS AND BALANCES

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

6.1	Due from related party	Relationship	2018 AED	2017 AED
	ECU Line Middle East LLC	Group company	<u>608,365</u>	<u>1,672,406</u>

There is no impact of IFRS 9 on due from related party.

6.2 Transactions with related party during the year were as follows:

	2018 AED	2017 AED
Revenue	3,090,637	3,126,504
Direct costs	827,850	1,260,500
Warehouse rental income (note 12)	84,000	84,000
Management fee expense (note 13)	<u>741,640</u>	<u>713,891</u>

7 RECEIVABLES

	2018 AED	2017 AED
Prepaid expenses	130,252	75,650
Deposits	289,000	289,000
Others	<u>72,204</u>	<u>-</u>
	<u>491,456</u>	<u>364,650</u>

8 PROPERTY AND EQUIPMENT

8.1	Cost	Buildings and improvements AED	Warehouses and equipment AED	Office furniture and equipment AED	Vehicles AED	Total AED
	As at January 1, 2017	7,932,507	4,211,975	191,929	913,868	13,250,279
	Additions during the year	106,500	-	5,750	-	112,250
	Disposals during the year	-	(160,470)	-	-	(160,470)
	As at December 31, 2017	<u>8,039,007</u>	<u>4,051,505</u>	<u>197,679</u>	<u>913,868</u>	<u>13,202,059</u>
	Additions during the year	-	220,000	-	-	220,000
	Disposals during the year	-	-	-	(6,500)	(6,500)
	As at December 31, 2018	<u>8,039,007</u>	<u>4,271,505</u>	<u>197,679</u>	<u>907,368</u>	<u>13,415,559</u>



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8 PROPERTY AND EQUIPMENT (continued)

8.2 Depreciation	Buildings and improvements	Warehouses and equipment	Office furniture and equipment	Vehicles	Total
	AED	AED	AED	AED	AED
As at January 1, 2017	6,784,250	3,588,968	107,692	663,952	11,144,862
Charge for the year	212,033	182,197	33,693	125,527	553,450
Disposals during the year	-	(160,470)	-	-	(160,470)
As at December 31, 2017	6,996,283	3,610,695	141,385	789,479	11,537,842
Charge for the year	212,777	204,016	32,590	93,072	542,455
Disposals during the year	-	-	-	(6,500)	(6,500)
As at December 31, 2018	<u>7,209,060</u>	<u>3,814,711</u>	<u>173,975</u>	<u>876,051</u>	<u>12,073,797</u>

8.3 Net book values

As at December 31, 2017	<u>1,042,724</u>	<u>440,810</u>	<u>56,294</u>	<u>124,389</u>	<u>1,664,217</u>
As at December 31, 2018	<u>829,947</u>	<u>456,794</u>	<u>23,704</u>	<u>31,317</u>	<u>1,341,762</u>

8.4 Depreciation is allocated as follows:

	2018	2017
	AED	AED
Direct costs (note 11)	379,719	387,415
General and administrative expenses (note 13)	162,736	166,035
	<u>542,455</u>	<u>553,450</u>

8.5 The cost of fully-depreciated assets that were still in use as at the year-end was AED 9,412,609 (2017: AED 9,343,798).

9 TRADE AND OTHER PAYABLES

	2018	2017
	AED	AED
Trade payables	88,925	69,981
Accrued expenses	33,945	215,029
	<u>122,870</u>	<u>285,010</u>

10 EMPLOYEES' END-OF-SERVICE BENEFITS

	2018	2017
	AED	AED
Balance at the beginning of the year	997,428	981,757
Provided for during the year	106,928	24,091
Paid during the year	(141,518)	(8,420)
Balance at the end of the year	<u>962,838</u>	<u>997,428</u>

11 DIRECT COSTS

	2018	2017
	AED	AED
Wages, salaries and benefits	3,638,857	3,564,858
Direct costs of export and related activities	899,479	1,381,639
Depreciation of property and equipment (note 8)	379,719	387,415
Fuel	399,145	317,309
Rent	203,755	203,755
Other direct expenses	50,482	40,790
	<u>5,571,437</u>	<u>5,895,766</u>



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12	OTHER INCOME	2018 AED	2017 AED
	Warehouse rental income (note 6)	84,000	84,000
	Gain on disposal of property and equipment	476	6,000
	Others	2,574	890
		<u>87,050</u>	<u>90,890</u>

13	GENERAL AND ADMINISTRATIVE EXPENSES	2018 AED	2017 AED
	Salaries and benefits	1,200,000	1,432,000
	Management fee (note 6)	741,640	713,891
	Repairs and maintenance	447,467	389,542
	Insurance	195,051	215,387
	Depreciation of property and equipment (note 8)	162,736	166,035
	Legal, visa and professional fees	103,452	127,092
	Utilities	55,417	72,378
	Communications	46,373	46,982
	Printing and stationery	20,094	21,013
	Other expenses	14,986	14,478
		<u>2,987,216</u>	<u>3,198,798</u>

14 COMMITMENTS AND CONTINGENCIES**14.1 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.

14.2 Contingent liabilities

	2018 AED	2017 AED
Labour guarantees	<u>255,000</u>	<u>255,000</u>

15 RISK MANAGEMENT**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to interest rate risk as there were no interest bearing assets or liabilities as at the reporting date.



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15 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	168,761	103,965
Receivables (excluding prepaid expenses)	361,204	289,000
Due from related party	608,365	1,672,406
	<u>1,138,330</u>	<u>2,065,371</u>

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

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

Due from related party relates to transactions with minimal credit risks.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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	<u>122,870</u>
2017	
Trade and other payables	<u>285,010</u>

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.

16 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.

