ALLCARGO LOGISTICS FZE

FINANCIAL STATEMENTS

DECEMBER 31, 2020

ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

Financial statements for the period from October 20, 2019 (license date) to December 31, 2020

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ALLCARGO LOGISTICS FZE

Repot on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Allcargo Logistics FZE** (the "Establishment"), which comprise the statement of financial position as at December 31, 2020, the related statements of comprehensive income, cash flows and changes in equity for the period from October 20, 2019 (license date) to December 31, 2020, 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 Establishment as at December 31, 2020, and its financial performance and cash flows for the period 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 Establishment 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

We refer to note 20 to the financial statements which highlights the possible impact that the current situation regarding the spread of the corona virus (COVID-19) throughout the region and the world has had and could continue to have on the state of affairs and the operating results of the Establishment in the year 2021. Our opinion is not modified in respect of this matter.

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 Establishments, 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 Establishment'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 Establishment or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
ALLCARGO LOGISTICS FZE (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment'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 Establishment'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 Establishment 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 period 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 SHAREHOLDER OF
ALLCARGO LOGISTICS FZE (continued)

Report on Other 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 Establishment. Further, we are not aware of any contravention during the period of the provisions of the Implementing Regulations and of the Federal Law, as may be applicable to Free Zone Establishments, which might have materially affected the financial position of the Establishment or the results of its operations for the period ended December 31, 2020.

BAKER TILLY MKM
Chartered Accountants

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Sanjiv Gambhir
Engagement Partner
Dubai, United Arab Emirates

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

Date: May 26, 2021

ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2020

	Note	2020 AED
ASSETS		
Current assets		
Cash and cash equivalents	5	315,280
Accounts receivable	6	3,796,949
Other receivables	7	148,253
		4,260,482
Non-current assets		
Right-of-use asset	8	6,627,136
Property and equipment	9	15,125,580
		21,752,716
TOTAL ASSETS		26,013,198
LIABILITIES AND EQUITY		
Current liabilities		
Accounts and other payables	10	78,479
Due to related party	11	1,210,728
Loans from related parties	11	15,230,063
Lease liabilities	12	277,093
		16,796,363
Non-current liabilities		
Lease liabilities	12	6,466,795
Employees' end-of-service benefits	13	24,468
		6,491,263
Total liabilities		23,287,626
Equity		
Share capital	2	2,000,000
Retained earnings		725,572
Total equity		2,725,572
TOTAL LIABILITIES AND EQUITY		26,013,198

The accompanying notes 1 to 20 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 authorized for issue on 26 MAY, 2021 by:

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty
Manager

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DUBAI - U.A.E.
BAKER TILLY MKM CHARTERED ACCOUNTANTS
بيكر تلي ام كي ام محاسبون قانونيون

ALLCARGO LOGISTICS FZE
Dubai - United Arab Emirates

Statement of profit or loss and other comprehensive income
For the period from October 20, 2019 (license date) to December 31, 2020

	Notes	2020 AED
Revenue		5,706,095
Direct costs	14	(3,173,430)
Gross profit		2,532,665
General and administrative expenses	15	(1,645,253)
Finance costs	16	(161,840)
Profit for the period		725,572
Other comprehensive income		-
Total comprehensive income for the period		725,572

The accompanying notes 1 to 20 form an integral part of the financial statements.

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Statement of cash flows
For the period from October 20, 2019 (license date) to December 31, 2020

	Note	2020 AED
Cash flows from operating activities		
Profit for the period		725,572
Adjustments for:		
Depreciation of right-of-use asset	8	411,728
Depreciation of property and equipment	9	1,445,240
Finance costs (interest expense on lease liabilities)	12	161,840
Provision for employees' end-of-service benefits	13	24,468
Operating income before working capital changes		2,768,848
Accounts receivable		(3,796,949)
Other receivables		(233,906)
Accounts and other payables		78,479
Due to related party		2,210,628
Net cash generated from operating activities		1,027,100
Cash flows from investing activities		
Acquisition of property and equipment		(840,657)
Net cash (used in) investing activities		(840,657)
Cash flows from financing activities		
Share capital introduced	2	2,000,000
Loans repaid	11	(1,500,000)
Payment of lease liabilities	12	(371,163)
Net cash generated from financing activities		128,837
Net increase in cash and cash equivalents		315,280
Cash and cash equivalents at the end of the period	5	315,280
Non-cash transactions:		
Lease liabilities and related right-of-use asset capitalised at initial recognition	8, 12	6,953,211
Prepayment reclassed to right-of-use asset at initial recognition	8	85,653
Property and equipment additions incurred by related parties on behalf of the Establishment	9, 11	15,730,163
Amount due from related party to loans from related parties	11	999,900

The accompanying notes 1 to 20 form an integral part of the financial statements.

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Statement of changes in equity
For the period from October 20, 2019 (license date) to December 31, 2020

	Share capital AED	Retained earnings AED	Total AED
Share capital introduced	2,000,000	-	2,000,000
Total comprehensive income for the period	-	725,572	725,572
As at December 31, 2020	2,000,000	725,572	2,725,572

The accompanying notes 1 to 20 form an integral part of the financial statements.

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

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

1. LEGAL STATUS AND BUSINESS ACTIVITIES

a) **Allcargo Logistics FZE** (the "Establishment") was incorporated on October 17, 2019 and registered with Jebel Ali Free Zone Authority ("JAFZA"), Dubai, United Arab Emirates ("U.A.E.") on October 20, 2019 as a Free Zone Establishment with limited liability under Logistics License No. 181080 issued by JAFZA. The current license is valid until September 24, 2021.

b) The principal activities of the Establishment entail of ship chandlers' services, customs brokerage, cargo loading and unloading services, see shipping lines agents, sea cargo services, general warehousing, containers loading and unloading services, and cargo packaging.

c) The Registered Office of the Establishment is Plot No. S20202, Jebel Ali, Dubai, U.A.E.

d) The management of the Establishment is vested with Mr. Anu George Mavunil Kunnathil Varughese Georgekutty (Indian National), the Manager.

2. SHARE CAPITAL

The authorised, issued and paid-up capital of the Establishment is AED 2,000,000, divided into 2,000 shares of AED 1,000 each, and is solely held by ECU Hold N.V., Belgium.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies 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 the U.A.E. Federal Law No. 2 of 2015, as may be applicable to Free Zone Establishments.

b) Accounting convention

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

c) Functional and reporting currency

The functional currencies of the Establishment in addition to U.A.E. Dirham ("AED") is United States Dollar ("USD"). The reporting currency of the Establishment is AED.

d) Accounting policies adopted

The accounting policies adopted are in line with the relevant IFRS applicable during and at the end of the period on December 31, 2020:

New standards, improvements, interpretations and amendments issued

• Amendments to IAS 1	Presentation of Financial Statements
• Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
• Amendments to IAS 39	Financial Instruments: Recognition and Measurement
• Amendments to IFRS 3	Business Combinations
• Amendments to IFRS 7	Financial Instruments: Disclosures
• Amendments to IFRS 9	Financial Instruments

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BAKER TILLY

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

d) Accounting policies adopted (continued)

New standards, improvements, interpretations and amendments issued (continued)

- Amendments to IFRS 16 Leases
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

The adoption of these new standards, improvements, interpretations and amendments did not have any material impact on the Establishment for the period ended December 31, 2020, except for the adoption of IFRS 16, which is further discuss below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance which is substantially unchanged from IAS 17.

The Establishment adopted IFRS 16 with the date of initial application being October 20, 2019 on the lease of land for a period of 20 years with JAFZA.

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 Establishment in preparing the financial statements for the period ended December 31, 2020. Dates shown are for accounting periods commencing on or after that date.

- Amendments to IAS 1 — Presentation of Financial Statements (January 1, 2023)
- Amendments to IAS 16 — Property, Plant and Equipment (January 1, 2022)
- Amendments to IAS 37 — Provisions, Contingent Liabilities and Contingent Assets (January 1, 2022)
- Amendments to IAS 39 — Financial Instruments: Recognition and Measurement (January 1, 2021)
- Amendments to IFRS 3 — Business Combinations (January 1, 2022 - Conceptual Framework)
- Amendments to IFRS 4 — Insurance Contracts (January 1, 2021 and January 1, 2023)
- Amendments to IFRS 7 — Financial Instruments: Disclosures (January 1, 2021)
- Amendments to IFRS 9 — Financial Instruments (January 1, 2021)
- Amendments to IFRS 16 — Leases (June 1, 2020 and January 1, 2021)
- IFRS 17 and amendments thereto — Insurance Contracts (January 1, 2023)
- Annual improvements — IFRS Standards 2018-2020 Cycle
    - IFRS 1 First-time Adoption of International Financial Reporting Standards (January 1, 2022)
    - IFRS 9 Financial Instruments (January 1, 2022)
    - IFRS 16 Leases (January 1, 2022)
    - IAS 41 Agriculture (January 1, 2022)

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

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

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

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

The above classification is determined by both:

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

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

Financial assets at amortised cost

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

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

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

The Establishment's cash at bank, accounts receivable, and other receivables (excluding prepaid expenses) fall into this category of financial instruments.

f) Cash and cash equivalents

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

g) Accounts receivable

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

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

As at December 31, 2020, the Establishment had a balance due from only one customer. The amounts are recoverable in full, as such no provision is deemed necessary.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Other receivables

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

i) Impairment of financial assets

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

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

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

"12-month expected ECLs" are recognised for the first category while "lifetime ECLs" are recognised for the second category. Measurement of the ECLs is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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

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 Establishment has a legally enforceable right to set off the recognised amounts, and the Establishment either intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) Leases and right-of-use assets

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

Right-of-use assets

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

Depreciation of right-of-use assets is calculated on a straight-line basis to allocate their cost over their remaining lease term as at the date of initial application of IFRS 16 (October 20, 2019) as follows:

Asset	Period remaining
Land	19 years and 10 months

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Leases and right-of-use assets (continued)

Lease liabilities

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

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

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

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

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 Establishment 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:

Assets	Years
Buildings and improvements	20
Warehouse equipment	5
Office furniture and equipment	3-4
Vehicles	4

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 Establishment 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 Establishment makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset 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.

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3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

m) Impairment of non-financial assets (continued)

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

n) Accounts and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether claimed by the supplier or not. Other payables consist of accrued expenses and provision for expenses.

o) Provisions

Provisions are recognised when the Establishment 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.

p) Related party transactions and balances

The Establishment, 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.

Due to related party and loans from related parties are classified as current liabilities unless there is a formal agreement in place to defer repayment for a period in excess of 12 months, in which case the amount repayable after 12 months as at the reporting date is classified as non-current liabilities.

q) Employees' end-of-service benefits

Provision is made for the end-of-service benefits of employees in accordance with the 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.

r) Contingent liabilities

A contingent liability is disclosed when the Establishment 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 Establishment; or when the Establishment 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 Establishment 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Revenue recognition (continued)

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

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

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

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

The Establishment 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 renting of warehouse spaces for storing cargo until it is delivered.

t) Expenses

Direct costs include all costs directly attributable to the generation of revenue and includes depreciation of property and equipment (excluding office furniture and equipment), salaries and benefits of revenue-generating employees, depreciation of right-of-use asset, and other direct costs and related activities. All other expenses are classified as general and administrative expenses or finance costs, 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 Establishment'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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and underlying assumptions are based on factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

i) Useful lives of right-of-use asset

Right-of-use asset is depreciated over the remaining lease term as at the date of initial application of IFRS 16 (October 20, 2019).

ii) Useful lives and residual values of property and equipment

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

iii) Interest rate used for discounting the lease liabilities

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

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5 CASH AND CASH EQUIVALENTS

	2020
	AED
Cash in hand	2,437
Cash at bank	312,843
	315,280

6 ACCOUNTS RECEIVABLE

	2020
	AED
Accounts receivable (6.1, 6.2)	3,796,949

6.1 The Establishment's credit period is 90 days after which date accounts receivable are considered to be past due. The Establishment does not obtain collateral over receivables.

6.2 As at December 31, the ageing analysis of accounts receivable was as follows:

			Past due		
	Total	Not past due	91 - 120 days	121 - 180 days	>180 days
	AED	AED	AED	AED	AED
2020	3,796,949	1,042,073	-	-	2,754,876

6.3 ECL allowance for accounts receivable

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

In measuring the ECLs, the accounts receivable have been assessed based on the credit quality of the customer.

As at December 31, 2020, the Establishment had a balance due from only one customer. The amounts are recoverable in full, as such no provision is deemed necessary.

7 OTHER RECEIVABLES

	2020
	AED
Prepaid expenses	122,760
Deposits	24,500
VAT recoverable, net	993
	148,253

There is no impact of IFRS 9 on other receivables.

8 RIGHT-OF-USE ASSET

8.1 Cost	Land AED
Additions during the period and as at December 31, 2020	7,038,864

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		Land
8	**RIGHT-OF-USE ASSET (continued)**	**AED**
8.2	**Accumulated depreciation**	
	Charge for the period (note 8.5) and as at December 31, 2020	411,728
8.3	**Net book value**	
	As at December 31, 2020	6,627,136

8.4 The Establishment has entered into lease agreement, dated September 25, 2019, with the JAFZA for the lease of land for a period of 20 years. Effective October 20, 2019, with scope of earlier termination subject to fulfillment of certain terms and conditions.

		2020
8.5	The following are the amounts recognised in the statement of comprehensive income:	**AED**
	Depreciation of right-of-use asset (note 14)	411,728
	Interest expense on lease liabilities (note 12.1)	161,840
		573,568

9 PROPERTY AND EQUIPMENT

		Building and improvements (9.5) AED	Warehouse equipment AED	Office furniture and equipment AED	Vehicles AED	Total AED
9.1	**Cost**					
	Additions during the period and as at December 31, 2020	15,730,163	309,621	334,912	196,124	16,570,820
9.2	**Accumulated depreciation**					
	Charge for the period (note 9.4) and as at December 31, 2020	1,232,430	54,942	99,950	57,918	1,445,240
9.3	**Net book values**					
	As at December 31, 2020	14,497,733	254,679	234,962	138,206	15,125,580

		2020
9.4	Depreciation was allocated as follows:	**AED**
	Direct costs (note 13)	1,345,290
	General and administrative expenses (note 14)	99,950
		1,445,240

9.5 Entire funding for construction of building and improvements were made available by related parties on behalf of the Establishment (note 11.3).

The Building exists on the land under lease from JAFZA (note 8.4)

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10 ACCOUNTS AND OTHER PAYABLES

	2020 AED
Accounts payables	44,741
Accrued expenses and other payables	33,738
	78,479

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

11.1 Due to related party

Due to related party	Relationship	2020 AED
Allcargo Logistics L.L.C, U.A.E.	Group company	1,210,728

11.2 Loans from related parties

ECU Hold N.V., Belgium	Shareholder	12,799,900
ECUhold N.V. (Jebel Ali Branch), U.A.E	Group company	2,430,163
		15,230,063

These loans from related parties are unsecured and interest-free and funded capital expenditures by the Establishment. These loans are repayable on demand.

The movements in loans from related parties during the period were as follows:

	ECU Hold N.V., Belgium	ECUhold N.V. (Jebel Ali Branch), U.A.E	Total AED
Capital expenditures incurred on behalf of the Establishment	15,730,163	-	15,730,163
Reclassification of loan payable (from)/to related party	(2,430,163)	2,430,163	-
Amount due from related party	999,900	-	999,900
Loans repaid during the period	(1,500,000)	-	(1,500,000)
Balance at the end of the period	12,799,900	2,430,163	15,230,063

11.3 Transactions with related parties, apart from disclosed above in movements in loans, during the period were as follows:

	2020 AED
Expenses incurred by related party on behalf of the Establishment	1,632,559
Share capital introduced	2,000,000
Revenue for the period initially recorded in the related party's books of account	2,089,952

12 LEASE LIABILITIES

	2020 AED
Current portion	277,093
Non-current portion	6,466,795
	6,743,888

The lease agreement expires on September 25, 2039.

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12 LEASE LIABILITIES (continued)

12.1 The movement in lease liabilities during the period was as follows:

	2020 AED
Balance capitalised at initial recognition	6,953,211
Accretion of interest (note 16)	161,840
Payments	(371,163)
Balance at the end of the period	6,743,888

12.2 The maturity analysis of the lease liabilities as at December 31 was as follows:

2020	Gross liabilities AED	Interest amount AED	Net liabilities AED
Within 1 year	409,231	(132,138)	277,093
2 to 5 years	1,514,155	(480,663)	1,033,492
More than 5 years	6,249,885	(816,582)	5,433,303
	8,173,271	(1,429,383)	6,743,888

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

13 EMPLOYEES' END-OF-SERVICE BENEFITS

	2020 AED
Provided for the period ending December 31, 2020	24,468

14 DIRECT COSTS

	Period from October 20, 2019 (license date) to December 31, 2020 AED
Depreciation of property and equipment (note 9.4)	1,345,290
Salaries and benefits	1,179,527
Depreciation of right-of-use asset (note 8.2)	411,728
Other direct costs and related activities	236,885
	3,173,430

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15 GENERAL AND ADMINISTRATIVE EXPENSES

	Period from October 20, 2019 (license date) to December 31, 2020
	AED
Professional and other fees	844,528
Repairs and maintenance	202,030
Depreciation of property and equipment (note 9.4)	99,950
Advertising	83,272
Travelling and conveyance	76,913
Communications	73,211
Rent	61,177
Utilities	52,459
Insurance	41,408
Others	110,305
	1,645,253

16 FINANCE COSTS

	Period from October 20, 2019 (license date) to December 31, 2020
	AED
Interest on lease liabilities (note 12.1)	161,840

17 COMMITMENTS AND CONTINGENCIES

17.1 Capital and operating expenditure commitments

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

17.2 Contingent liabilities

The Establishment did not have any contingent liabilities as at the reporting date.

18 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 Establishment 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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18 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 Establishment was exposed to credit risk on the following:

	2020
	AED
Cash at bank (note 5)	312,843
Accounts receivable (note 6)	3,796,949
Other receivables (excluding prepaid expenses) (note 7)	25,493
	4,135,285

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

Credit risks related to accounts receivable are managed subject to the Establishment'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.

Other receivables pertain to transactions with low risk parties.

Liquidity risk

Liquidity risk is the risk that the Establishment will not be able to meet its financial obligations as they fall due. The Establishment limits its liquidity risk managing its cash flows. The Establishment's terms of contract require amounts to be paid within 90 days from invoice date. Accounts payable are normally settled within 30 days from the date of purchase.

Balances with related parties are interest-free and with no set terms of repayment or security.

The table below summarises the maturities of the Establishment's financial liabilities at December 31:

2020	Less than 1 year AED	More than 1 year AED	Total AED
Accounts and other payables (note 10)	78,479	-	78,479
Due to related party (note 11.1)	1,210,728	-	1,210,728
Loans from related parties (note 11.2)	15,230,063	-	15,230,063
Lease liabilities - gross (note 12.2)	409,231	7,764,040	8,173,271
	16,928,501	7,764,040	24,692,541

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18 RISK MANAGEMENT (continued)

Foreign currency risk

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

Most of the Establishment's transactions are carried out in AED. Exposures to currency exchange rates arise from the Establishment's transfers of funds from/to related parties, which are primarily denominated in AED and US Dollar (USD). Since USD is pegged against AED, there is no risk involved with regard to the USD.

19 COMPARATIVES

This being the first period of operation of the Establisment, hence there are no comparatives.

20 EFFECTS OF THE COVID PANDEMIC

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

21 EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustment to, or disclosure in, the financial statements.

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