



ESGANA, MIRANDA-ESGANA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

PRC BOA No. 1689 effective until Dec. 31, 2019

Independent Auditor's Report

To the Board of Directors and Shareholders of
ECU WORLDWIDE (PHILIPPINES) INC.
Formerly ECU-LINE PHILIPPINES, INC.

Report on the financial statements

We have audited the accompanying financial statements of **Ecu Worldwide (Philippines), Inc.**, which comprise the statements of financial position as at December 31, 2016, the statement of income, changes in equity for the year then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance for the year then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-Sized Entities.

ESGANA, MIRANDA-ESGANA & ASSOCIATES, CPAs

SUSAN MIRANDA-ESGANA

Partner; CPA Cert. No. 57272

PTR No. 0885130 issued on 01/13/2017, Parañaque City

TIN 132-140-697-000

BIR A.N. 08-005908-01-2017 issued on 03/08/2017; effective until 03/08/2020

BOA/PRC Reg. No. 1689 effective until December 31, 2019

Parañaque City, April 15, 2017

ECU-LINE PHILIPPINES, INC.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS OF DECEMBER 31, 2016

Accounts	Notes	DEC.31,2016	
		Financial Position	
		Local	Eur
Cash & equivalents	3	3,907,954	74,955
Accounts receivable	4	50,063,395	960,216
Deposits		4,161,947	79,826
Prepayment & advances	5	9,862,066	189,154
Materials & supplies		0	0
Property & equipment - net	6	222,793	4,273
Total Assets		68,218,155	1,308,424
Accounts payable - trade	7	27,156,853	520,868
Accounts payable - non trade	8	3,186,354	61,114
Accrued expenses	9	1,778,644	34,114
Total Liabilities		32,121,851	616,097
Share capital		10,000,000	191,800
Retained earnings, end.		26,096,304	500,527
Total Shareholders' Equity	10	36,096,304	692,327
Total Liabilities & Shareholders' Equity		68,218,155	1,308,424

ECU-LINE PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Financial Performance		
	Local	Eur	%
Gross revenue:			
Operational revenue	377,240,829.76	7,193,982.62	
Other revenue	45,254.51	863.00	
Total gross revenue	377,286,084.27	7,194,845.63	100.00%
Less Operational cost	318,958,492.21	6,082,538.45	84.54%
Gross profit	58,327,592.06	1,112,307.18	15.46%
Less General & administrative exp	51,956,277.37	990,806.21	13.77%
Profit from operating activities	6,371,314.69	121,500.97	1.69%
Less Other charges	17,152.77	327.10	0.00%
Profit before income tax	6,354,161.92	121,173.87	1.68%
Less Income tax	1,906,248.58	36,352.16	0.51%
Profit for the year from operations	4,447,913.34	84,821.71	1.18%

ECU-LINE PHILIPPINES, INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

			As at December 31, 2016	
			Local	Eur
Share capital beginning			10,000,000	191,800
Additional paid-in capital				
	From Cash paid-in			
	From Retained earnings			
Share capital ending			10,000,000	191,800
Retained earnings beginning			21,648,391	415,216
				0
	Distributed earnings		0	0
Net income for the period			4,447,913	85,311
Retained earnings ending			26,096,304	500,527
Shareholders Equity - ending			36,096,304	692,327

ECU-LINE PHILIPPINES, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2016
(In the notes all amounts are in Philippine Peso unless otherwise stated)

Note 1 - General Information

Ecu-line Phils., Inc. (the Company) is a stock corporation incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission on December 11, 2000 with Registration No. A200017758. The Company is engaged in business as freight and cargo forwarders of all classes of goods, and merchandise.

Note 2 – Summary of significant accounting policies

Basis of Preparation

The accompanying financial statements of the ECU-LINE Phils, Inc. have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value.

The financial statements are presented in Philippine peso, the Company's functional currency, and all values are rounded to the nearest peso except when otherwise indicated.

The ECU-LINE Phils, Inc. determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The financial statements of the ECU-LINE Phils, Inc. are prepared for the same reporting year as the Company, using consistent accounting policies.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. New and amended PFRS, PAS and Philippine Interpretations were adopted:

New Standards and Interpretations

- PFRS 3, *Business Combinations* (Revised)
- PAS 27, *Consolidated and Separate Financial Statements* (Amended)
- Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 17, *Distributions of Non-Cash Assets to Owners*

Amendments to Standards

- PAS 39 Amendment - *Eligible Hedged Items*
- PFRS 2 Amendments - *Company Cash-settled Share-based Payment Transactions*

Improvement to PFRS 2008

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

Improvements to PFRSs 2009

- PFRS 2, *Share-based Payment*
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- PFRS 8, *Operating Segments*
- PAS 1, *Presentation of Financial Statements*
- PAS 7, *Statement of Cash Flows*
- PAS 17, *Leases*
- PAS 34, *Interim Financial Reporting*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*

- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less from the dates of placement and that are subject to an insignificant risk of changes in fair value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are carried at amortized cost using the effective interest method less any allowance for credit losses.

Receivables are classified as current assets when the Company expects to realize or collect the asset within twelve months from the balance sheet date. Otherwise, these are classified as non-current assets.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one (1) year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost incurred such as replacing parts of an item of property and equipment is added to the carrying amount of such item when that cost incurred is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

- Machinery	10-15 years
- Vehicles	3-5 years
- Furniture, fittings and equipment	3-8 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The carrying amount of an item of property and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and shall be recognized within 'other gains/(losses) – net' in the statement of comprehensive income.

Borrowings and borrowing costs

Borrowings are recognized initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowing are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included as finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All borrowing costs are expensed as incurred.

Trade payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Employee Benefits***Post-employment benefits***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due to be settled more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

Payments made to state-managed retirement benefit plans are dealt with as payments to defined contribution plans when Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the time when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Other financial liabilities

Issued financial instruments or their components, which are not designated as at FVPL, are classified as other financial liability, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. These include liabilities arising from operations or borrowings. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Revenue Recognition

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Delivery fees

Revenue from delivery fees is recognized when the service is rendered net of amounts payable to principals (i.e., partner remittance companies) for fees billed on their behalf.

Cost and Expenses

Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary business activities of the Company. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services

This includes all expenses associated with the specific delivery fees. Such costs are recognized when the related delivery fees have been recognized.

Operating expenses

Operating expenses constitute costs incurred related to operation and administering the business and are recognized when incurred.

Taxes and licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permits.

Income Taxes***Current tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the balance sheet date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid-in excess of par value' account.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Company. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the balance sheet-date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3	Cash & equivalents	Dec31.2016	
		Local	Eur
	CHINA TRUST (USD) ACCT.# 013060002507	192,027	3,683
	China Trust- (PHP) ACCT.# 013017000105	2,991,840	57,383
	China Trust Bank – Cebu (PHP) ACCT.# 1301600157-0	126,097	2,419
	BANCO DE ORO - CEBU (PHP) ACCT.# 2920143235	0	0
	BANK OF THE PHIL ISLANDS CA 001601-0004-62	529,531	10,156
	Petty Cash Fund	775	15
	BANCO DE ORO PARANAQUE (PHP)	0	0
	BANCO DE ORO PARANAQUE (USD)	0	0
	NETTING CASH BOOK	67,685	1,298
	Netting (Control Account)		0
		3,907,954	74,955
4	Accounts receivable	Local	
		Local	Eur
	DEBTORS CONTROL ACCOUNT	55,270,953	1,060,097
	Provision for Bad Debts	(5,207,558)	(99,881)
		50,063,395	
5	Prepayments, Advances & other assets	Local	
		Local	Eur
	Prepayments - Others, etc	4,916,026	94,289
	Deferred Tax Credits	1,913,806	36,707
	Advances - Cebu	382,722	7,341
	Advances - Payroll	2,649,511	50,818
		9,862,066	189,154

6	Property & equip't	Dec31.2016	
		Local	Eur
	Cost :		
	Furniture & Fixtures	4,750,255	91,110
	Office Equipment	0	0
	Transportation equipment	4,262,953	81,763
	LEASEHOLD IMPROVEMENTS	1,741,886	33,409
	Total at cost		0
	Accumulated depreciation:		
	Accum. Dep. - Furniture & Fix	4,557,662	87,416
	Accum. Dep. - Office Equipment	0	0
	Accum. Dep. - Transportation equipment	4,262,953	81,763
	ACCUM.-DEP. LEASEHOLD AT COST	1,711,687	32,830
	Total accum.depn.	10,532,301	202,010
	Net book value:		
	Furnitures & Fixtures	192,594	3,694
	Office Equipment	0	0
	Transportation equipment	0	0
	Leasehold Improvements	30,199	579
	Net value	222,793	4,273
7	Accounts payable - trade	Local	Eur
	Creditors Control	27,156,853	520,868
	Foreign Netting Payable	0	0
		27,156,853	520,868
		Local	Eur
8	Accounts payable-non trade		
	Withholding Tax Payable	657,735	12,615
	Vat Payable	264,509	5,073
	Other taxes payable	2,264,109	43,426
		3,186,354	61,114
9	Accrued expenses	Local	Eur
	Accruals - Operational		0
	Accrual Bonus	907,001	17,396
	Accruals - Gen. & Admin Expenses	871,642	16,718
		1,778,644	34,114
10	Shareholders' Equity	As at December 31, 2016	
		Local	Eur
	Share capital beginning	10,000,000	191,800
	Additional paid-in capital		
	Share capital ending	10,000,000	191,800
	Retained earnings beginning	21,648,391	415,216
	Net income for the period	4,447,913	85,311
	Retained earnings ending	26,096,304	500,527
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