ALLCARGO LOGISTICS L.L.C

FINANCIAL STATEMENTS

DECEMBER 31, 2020

ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2020
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DIRECTORS' REPORT

The Directors present their report and financial statements of Allcargo Logistics L.L.C (the "Company") for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is licensed to provide ship chartering, barges & tugs chartering, customs brokerage, cargo loading and unloading services, cargo packaging and sea and air cargo services.

FINANCIAL REVIEW

The table below summarises the financial results:

	2020 AED	2019 AED
Revenues	74,706,559	77,970,058
Gross profit	11,003,400	16,158,562
Gross profit margin	14.73%	20.72%
Profit for the year	160,767	4,413,849

AUDITORS

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

EFFECTS OF THE COVID PANDEMIC

Since January 2020, the global emergence and rapid spread of the coronavirus as well as the associated measures implemented by various governments may have drastic economic effects. The management is monitoring the development of the global pandemic and will implement the necessary measures, as required. The impact on the financial situation of the Company cannot, at present, be reliably evaluated or quantified.

EVENTS AFTER THE YEAR-END

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

These financial statements were approved by the Board and signed on its behalf by the authorised representative of the Company on 26th May, 2021.

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty
Manager

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مستوى ١٨ ، جناح ١٨٠١-١٠
جميرا باي تاور X2 ، مجمع X
ص.ب.: ١١٥٩١٥، أبراج بحيرات جميرا
دبي، الإمارات العربية المتحدة
هاتف: ٧٢٤٨ ٣٦٩ ٤ ٩٧١+ ، فاكس: ٧١٩٣ ٣٦٩ ٤ ٩٧١+
البريد الإلكتروني : info@bakertillyjfc.com
الموقع الإلكتروني: www.bakertillymkm.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALLCARGO LOGISTICS L.L.C

Repot on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Allcargo Logistics** L.L.C including a Branch in Sharjah Airport International Free Zone (collectively, the "Company"), 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 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, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Matters

We refer to note 18 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 Company in the year 2021. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report set out on page 1 which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALLCARGO LOGISTICS L.L.C (continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, in compliance with provisions of the U.A.E. Federal Law No. 2 of 2015 (the "Federal Law"), and the applicable provisions of Emiri Decree No. 2 of 1995 applicable to Sharjah Airport International Free Zone ("SAIF Zone") (the "Decree") as may be applicable to Branches of U.A.E. Commercial Companies, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ALLCARGO LOGISTICS L.L.C (continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the Federal Law, we report that:

1) we have obtained all the information and explanations necessary for the purpose of our audit;

2) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law, and the Memorandum of Association ("MOA") of the Company;

3) the Company has maintained proper books of account; and

4) based on the information that has been available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended December 31, 2020 any of the applicable provisions of the Federal Law or of its MOA which would materially affect its activities or its financial position as at December 31, 2020.

BAKER TILLY MKM
Chartered Accountants

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

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 L.L.C
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2020

	Note	2020 AED	2019 AED
ASSETS			
Current assets			
Cash and cash equivalents	5	5,231,788	5,573,133
Accounts receivable	6	16,165,948	18,043,152
Other receivables	7	1,874,273	1,336,972
Due from related party	8	1,210,728	394,538
		24,482,737	25,347,795
Non-current assets			
Property and equipment	9	306,814	382,208
TOTAL ASSETS		24,789,551	25,730,003
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	10	9,831,400	5,303,569
Other payables	11	1,747,427	4,478,856
Due to related party	8	4,200	14,490
Loans from related parties	8	3,000,000	3,000,000
		14,583,027	12,796,915
Non-current liabilities			
Loans from related parties	8	9,054,912	12,183,428
Employees' end-of-service benefits	12	567,553	326,368
		9,622,465	12,509,796
Total liabilities		24,205,492	25,306,711
Equity			
Share capital	2	300,000	300,000
Statutory reserve		150,000	150,000
Retained earnings/(accumulated losses)		134,059	(26,708)
Total equity		584,059	423,292
TOTAL LIABILITIES AND EQUITY		24,789,551	25,730,003

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

The financial statements were authorised for issue on 26 MAY, 2021 by:

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty
Manager

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ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Statement of profit or loss and other comprehensive income
For the year ended December 31, 2020

	Note	2020 AED	2019 AED
Revenue		74,706,559	77,970,058
Direct costs	13	(63,703,159)	(61,811,496)
Gross profit		11,003,400	16,158,562
Other operating income/(loss), net	14	370,574	(53,877)
General and administrative expenses	15	(10,945,017)	(11,387,807)
Finance costs	8	(268,190)	(303,029)
Profit for the year		160,767	4,413,849
Other comprehensive income		-	-
Total comprehensive income for the year		160,767	4,413,849

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Statement of cash flows
For the year ended December 31, 2020

	Note	2020 AED	2019 AED
Cash flows from operating activities			
Profit for the year		160,767	4,413,849
Adjustments for:			
Expected credit loss for accounts receivable	6	1,069,944	343,810
Finance costs	8	268,190	303,029
Depreciation of property and equipment	9	188,353	177,151
Provision for employees' end-of-service benefits	12	250,246	228,735
Bad debts written off	15	40,000	189,958
Operating income before working capital changes		1,977,500	5,656,532
Decrease/(increase) in accounts receivable		767,260	(5,900,021)
(Increase) in other receivables		(537,301)	(532,293)
(Increase) in due from related party		(816,190)	(182,673)
Increase in accounts payable		4,527,831	1,806,957
(Decrease)/increase in other payables		(2,731,429)	3,353,687
(Decrease)/increase in due to related party		(10,290)	14,490
Cash generated from operations		3,177,381	4,216,679
Employees' end-of-service benefits paid	12	(9,061)	-
Net cash generated from operating activities		3,168,320	4,216,679
Cash flows from investing activities			
Acquisition of property and equipment	9	(112,959)	(142,738)
Net cash (used in) investing activities		(112,959)	(142,738)
Cash flows from financing activities			
Movement in loans from related parties, net	8	(3,250,000)	(511,020)
Finance costs paid	8	(146,706)	(299,437)
Net cash (used in) financing activities		(3,396,706)	(810,457)
Net (decrease)/increase in cash and cash equivalents		(341,345)	3,263,484
Cash and cash equivalents at the beginning of the year	5	5,573,133	2,309,649
Cash and cash equivalents at the end of the year	5	5,231,788	5,573,133
Non-cash transaction:			
Finance costs charged by related parties and credited to related party accounts		268,190	303,029

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

ALLCARGO LOGISTICS L.L.C
Dubai - United Arab Emirates

Statement of changes in equity
For the year ended December 31, 2020

	Share capital AED	Statutory reserve AED	(Accumulated losses)/ retained earnings AED	Total AED
As at January 1, 2019	300,000	-	(4,290,557)	(3,990,557)
Total comprehensive income for the year	-	-	4,413,849	4,413,849
Transfer for the year	-	150,000	(150,000)	-
As at December 31, 2019	300,000	150,000	(26,708)	423,292
Total comprehensive income for the year	-	-	160,767	160,767
As at December 31, 2020	300,000	150,000	134,059	584,059

The accompanying notes 1 to 19 form an integral part of these financial statements.

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

1. LEGAL STATUS AND BUSINESS ACTIVITIES

a) **Allcargo Logistics L.L.C** (the "Company") was incorporated on October 19, 2014 and registered with the Department of Economic Development (now Dubai Economy), Government of Dubai, United Arab Emirates ("U.A.E.") as a Limited Liability Company and operates under Commercial License No. 719116. The current license is valid until October 18, 2021.

b) The Company has a Branch which was registered on June 13, 2018 and operates in U.A.E. under License No. 19680 issued by the Commercial Registration Department of Sharjah Airport International Free Zone Authority ("SAIF Zone Authority"). The current license is valid until June 13, 2021.

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

d) The Registered Office of the Company is P.O. Box No. 50447, Dubai, U.A.E.

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

f) These financial statements include the financial position and financial performance of the Branch.

2. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is AED 300,000, divided into 100 shares of AED 3,000 each, fully paid, and was held by the shareholders as follows:

Name of the Shareholder	Nationality/ country of incorporation	No. of Shares	Amount AED	Percentage of shareholding
ECU Hold N.V.	Belgium	147	147,000	49
Abdulhamid Mohammed Abdulrahim Duwaya - Sponsor	Emirati	153	153,000	51
Total		**300**	**300,000**	**100**

The Company 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, which have been applied consistently (subject to point d), is set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("the Committee"), U.A.E. Federal Law No. 2 of 2015 and Emiri Decree No. 2 of 1995 applicable to Sharjah Airport International Free Zone, as may be applicable to Branches of U.A.E. Commercial Companies.

b) Accounting convention

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Functional and reporting currency

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

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, improvements, interpretations and amendments to IFRS that are mandatorily effective for accounting years beginning on or after January 1, 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
- 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 a material impact on the Company for the year ended December 31, 2020.

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 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)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Changes in accounting policies (continued)

New standards, improvements, interpretations and amendments issued but not yet effective (continued)

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

e) Financial instruments

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

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

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

The above classification is determined by both:

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

All 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 Company's cash at banks, accounts receivable, other receivables (excluding advances to suppliers and employees and prepaid expenses) and due from related party fall into this category of financial instruments.

f) Cash and cash equivalents

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company 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 Company uses its historical experience, external indicators and forward-looking information to calculate the ECLs using a provision matrix.

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due.

h) Other receivables

Other receivables consist of advances to suppliers and employees, deposits, prepaid expenses, VAT recoverable, net, and others. These 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) Related party balances and transactions

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

Related party balances are assessed for non-collectability as per the ECL model.

Loans and borrowings 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.

j) 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 include financial assets measured at amortised cost, such as accounts receivable measured under IFRS 15. The Company 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 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 Company applies the IFRS 9 simplified approach in accounting for accounts receivable, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Offsetting of financial assets and liabilities

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

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition and bringing of the asset to its working condition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When a part is replaced, and the new part capitalised, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the statement of comprehensive income during the financial year 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
Computer equipment	3
Furniture and fixtures	4
Office equipment	4
Motor 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 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 or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used.

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

n) Accounts payable

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

o) Other payables

Other payables consist of accrued expenses and others.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Provisions

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

q) Employees' end-of-service benefits

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

r) Statutory reserve

As per the Memorandum of Association of the Company and provisions of U.A.E. Federal Law No. 2 of 2015, 10% of the profit for the year is required to be transferred to a statutory reserve until such reserve equals 50% of the paid-up share capital of the Company. Having attained this limit, transfers have ceased. This reserve is not available for distribution to the shareholders.

s) 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.

t) 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; and
v. Recognising revenue when performance obligation(s) are satisfied.

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

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as current liabilities in these financial statements. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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.

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Revenue recognition (continued)

The Company generates revenue from services as a customs broker, cargo loading and unloading, cargo packaging, sea cargo, air cargo, and sea shipping lines agent, distribution and logistics, all of which are recognised on execution of orders of customers and agents.

u) Expenses

Direct costs include all costs directly attributable to the generation of revenue and include export and import documentation and freight charges, and other direct costs. All other expenses are classified as general and administrative expenses or finance costs, as appropriate.

v) Foreign currency transactions and translations

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Expected credit loss allowance for accounts receivables other receivable due from related party and cash at bank

An allowance against accounts receivable is recognised as per IFRS 9 considering the pattern of receipts from, and the future financial outlook of, the concerned customers. In measuring the ECLs, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the credit period and the days past due. The percentage for the ECLs is reviewed by the management on a regular basis.

Assessment of impairment of other receivables, due from related party, and cash at bank is made in line with IFRS 9. This assessment is reviewed by management on a regular basis. The Company deals with reputable banks to limit its credit risk with respect to cash at banks. Other receivables and due from related party carry minimal credit risk

ii) Useful lives and residual values of property and equipment

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

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5 CASH AND CASH EQUIVALENTS

	2020 AED	2019 AED
Cash in hand	41,670	193,334
Cash at banks	5,190,118	5,379,799
	5,231,788	5,573,133

6 ACCOUNTS RECEIVABLE

	2020 AED	2019 AED
Accounts receivable - non-related parties	17,291,581	18,265,604
Accounts receivable - related parties (note 8.5)	308,121	141,358
Total accounts receivable (6.1)	17,599,702	18,406,962
Less: ECL allowance for accounts receivable (6.2, 6.3)	(1,433,754)	(363,810)
Accounts receivable - net	16,165,948	18,043,152

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

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

			Past due		
	Total AED	Not past due AED	91 - 120 days AED	121 - 180 days AED	>180 days AED
2020	17,599,702	13,289,816	998,798	492,781	2,818,307
2019	18,406,962	16,145,795	1,244,155	771,769	245,243

6.2 ECL allowance for accounts receivable

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

In measuring the ECLs, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for revenue over the past period up to 24 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

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

6.3 Movement in ECL allowance for accounts receivable was as follows:

	2020 AED	2019 AED
Balance as at the beginning of the year	363,810	20,000
Provided for the year (note 15)	1,069,944	343,810
Balance as at the end of the year	1,433,754	363,810

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7 OTHER RECEIVABLES

	2020 AED	2019 AED
Advances to suppliers and employees	689,218	31,793
Deposits (7.1)	570,738	623,118
Prepaid expenses	311,252	303,881
VAT recoverable, net	47,644	41,612
Others	255,421	336,568
	1,874,273	1,336,972

7.1 Includes deposit of AED 83,900 (2019: AED 80,690) under lien with bank for labour visa and payment and performance guarantees of AED 422,000 (2019: AED 497,000) as at the reporting date (note 16.2).

7.2 There was no significant impact of IFRS 9 on other receivables.

8 RELATED PARTY TRANSACTIONS AND BALANCES

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

8.1 Due from related party

Due from related party	Relationship	2020 AED	2019 AED
Allcargo Logistics FZE, U.A.E.	Group company	1,210,728	394,538

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

8.2 Loans from related parties

Loans from related parties	Relationship	2020 AED	2019 AED
ECU Hold N.V., Belgium	Shareholder	2,364,391	5,619,921
Ecuhold N.V. (Jebel Ali Branch), U.A.E	Group company	9,690,521	9,563,507
		12,054,912	15,183,428
Current portion		3,000,000	3,000,000
Non-current portion		9,054,912	12,183,428
		12,054,912	15,183,428

The loans from related parties are unsecured and carry interest of 2% per annum. The loan from ECU Hold N.V., Belgium is denominated in USD while the loan from Ecuhold N.V. (Jebel Ali Branch), U.A.E. is denominated in AED.

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

	2020 AED	2019 AED
Balance at the beginning of the year	15,183,428	15,690,856
Loans obtained during the year	-	596,956
Loans repaid during the year	(3,250,000)	(1,107,976)
Accretion of interest	268,190	303,029
Interest paid	(146,706)	(299,437)
Balance at the end of the year	12,054,912	15,183,428

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

			2020 AED	2019 AED
8.4	**Due to related party**	**Relationship**		
	ECU Line Middle East L.L.C, U.A.E.	Group company	4,200	14,490
8.5	Related party balances included under accounts receivable (note 6)		308,121	141,358
	Related party balances included under accounts payable (note 10)		1,587,900	1,056,328
	Related party balances included under other payables		-	1,215,000

8.6 Transactions with related parties during the year were as follows:

	2020 AED	2019 AED
Interest on related parties borrowings (part paid, part accrued)	268,190	303,029
Loans repaid during the year	3,250,000	1,107,976
Loans obtained during the year	-	596,956
Sales	1,636,174	111,039
Direct costs	8,193,982	3,026,890

9 PROPERTY AND EQUIPMENT

		Computer equipment AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
9.1	**Cost**					
	As at January 1, 2019	151,263	172,236	91,509	86,369	501,377
	Additions during the year	44,633	21,341	1,032	75,732	142,738
	As at December 31, 2019	195,896	193,577	92,541	162,101	644,115
	Additions during the year	36,425	4,810	2,184	69,540	112,959
	As at December 31, 2020	232,321	198,387	94,725	231,641	757,074
9.2	**Accumulated depreciation**					
	As at January 1, 2019	34,373	33,826	10,134	6,423	84,756
	Charge for the year (note 15)	60,768	55,005	22,530	38,848	177,151
	As at December 31, 2019	95,141	88,831	32,664	45,271	261,907
	Charge for the year (note 15)	66,082	49,153	23,567	49,551	188,353
	As at December 31, 2020	161,223	137,984	56,231	94,822	450,260
9.3	**Net book values**					
	As at December 31, 2020	71,098	60,403	38,494	136,819	306,814
	As at December 31, 2019	100,755	104,746	59,877	116,830	382,208

10 ACCOUNTS PAYABLE

	2020 AED	2019 AED
Accounts payable - non-related parties	8,243,500	4,247,241
Accounts payable - related parties (note 8.5)	1,587,900	1,056,328
	9,831,400	5,303,569

ALLCARGO LOGISTICS L.L.C
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Notes to the financial statements
For the year ended December 31, 2020

11 OTHER PAYABLES

	2020 AED	2019 AED
Accrued expenses and other payables	1,747,427	4,478,856

12 EMPLOYEES' END-OF-SERVICE BENEFITS

	2020 AED	2019 AED
Balance at the beginning of the year	326,368	97,633
Provided for the year	250,246	228,735
Payments during the year	(9,061)	-
Balance at the end of the year	567,553	326,368

13 DIRECT COSTS

	2020 AED	2019 AED
Export documentation and freight charges	28,314,641	27,830,352
Import documentation and freight charges	35,388,518	33,981,144
	63,703,159	61,811,496

14 OTHER OPERATING INCOME/(LOSS), NET

Other operating income/(loss), net mainly relates to excess provision released to other income during the year and rebates received from various suppliers.

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 AED	2019 AED
Salaries and benefits	8,273,900	8,789,696
ECL for accounts receivable (note 6.3)	1,069,944	343,810
Rent	411,751	401,487
Communications	286,873	287,076
Professional and other fees	259,602	285,780
Depreciation (note 9.2)	188,353	177,151
Travelling and conveyance	123,652	169,195
Bank charges	121,405	101,181
Insurance	5,881	9,755
Bad debts written off	40,000	189,958
Others	163,656	632,718
	10,945,017	11,387,807

16 COMMITMENTS AND CONTINGENCIES

16.1 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.

16.2 Contingent liabilities

	2020 AED	2019 AED
Labour guarantees (note 7.1)	83,900	80,690
Payment and performance guarantees (note 7.1)	422,000	497,000
	505,900	577,690

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17 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 as at the reporting date, while the interest-bearing liabilities pertained to borrowings from related parties on which interest rates were fixed.

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:	2020	2019
	AED	AED
Cash at banks (note 5)	5,190,118	5,379,799
Accounts receivable (note 6)	16,165,948	18,043,152
Other receivables (excluding advances to suppliers and employees and prepaid expenses) (note 7)	873,803	1,001,298
Due from related party (note 8.1)	1,210,728	394,538
	23,440,597	24,818,787

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

Credit risks related to accounts receivable are managed subject to the Company's policies, procedures and controls 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 mainly consist of deposits with government entities that are recoverable in full.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company limits its liquidity risk by ensuring funds from related parties are available, as required. 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, except for the loans from related parties which carry an interest rate of 2% per annum and are repayable in monthly installments of AED 250,000.

17 RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

	Less than 1 year AED	More than 1 year AED	Total AED
2020			
Accounts payable (note 10)	9,831,400	-	9,831,400
Other payables (note 11)	1,747,427	-	1,747,427
Due to related party (note 8.4)	4,200	-	4,200
Loans from related parties (note 8.2)	3,000,000	9,054,912	12,054,912
	14,583,027	9,054,912	23,637,939
2019			
Accounts payable (note 10)	5,303,569	-	5,303,569
Other payables (note 11)	4,478,856	-	4,478,856
Due to related party (note 8.4)	14,490	-	14,490
Loans from related parties (note 8.2)	3,000,000	12,183,428	15,183,428
	12,796,915	12,183,428	24,980,343

Foreign currency risk

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

Most of the Company's transactions are carried out in AED, USD and EUR. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in USD. Since the AED is pegged to the USD, there is no currency risk with regard to the USD.

18 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 year 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.

19 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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