ALLCARGO LOGISTICS L.L.C.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

Financial statements for the year ended December 31, 2019

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all cargo logistics llc
Ingenuity In Motion

DIRECTORS' REPORT

The Directors present their report and financial statements of Allcargo Logistics L.L.C. for the year ended December 31, 2019.

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:

	2019 AED	2018 AED
Revenues	77,970,058	21,273,471
Gross profit	16,158,562	3,680,156
Gross profit margin	20.72%	17.30%
Income/(loss) for the year	4,413,849	(1,321,993)

AUDITORS

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

EVENTS AFTER THE YEAR-END

In the opinion of the Directors, other than those disclosed in the financial statements, 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 April 8, 2020.

P.O. Box: 50447
DUBAI - U.A.E.
ALLCARGO LOGISTICS L.L.C
الكارجو لوجستكس ش.ذ.م.م

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty
Manager

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E-mail: info@bakertillyjfc.com
URL: www.bakertillymkm.com

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.

Opinion

We have audited the 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, 2019, 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, 2019, 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

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

We draw attention to the disclosure regarding "Events after the reporting date" in note 17, which describes the effect of the novel coronavirus (Covid-19) pandemic on the Company's business. 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, 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.

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

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

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

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

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

Report on Legal and Regulatory Requirements

As required by the Federal Law, we report that:

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

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

3) the Company has maintained proper 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, 2019 any of the applicable provisions of the Federal Law or of its Memorandum of Association which would materially affect its activities or its financial position as at December 31, 2019.

In addition to the Federal Law and the applicable provisions of the Decree, as may be applicable to a Branch of a U.A.E. Commercial Company, we confirm that we have obtained all the information and explanations necessary for our audit and proper books of account have been maintained by the Company. Further, we are not aware of any contravention during the year of the provisions of the Federal Law and of the Decree, as may be applicable to a Branch of a U.A.E. Commercial Company, which might have materially affected the financial position of the Company or the results of its operations for the year ended December 31, 2019.

Baker Tilly MKM

P.O. Box: 115915
DUBAI - U.A.E.
بيكر تلي ام كي ام محاسبون قانونيون
BAKER TILLY MKM CHARTERED ACCOUNTANTS

Baker Tilly MKM
Chartered Accountants

Dubai, United Arab Emirates

Ihab Ahmad Am Ali
Partner, ELA Number 943

April 8, 2020

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

Statement of financial position
As at December 31, 2019

	Note	2019 AED	2018 AED
ASSETS			
Current assets			
Cash and cash equivalents	5	5,573,133	2,309,649
Trade receivables	6	18,043,152	12,676,899
Other receivables	7	1,336,972	804,679
Due from related parties	8	394,538	211,865
		25,347,795	16,003,092
Non-current assets			
Property and equipment	9	382,208	416,621
TOTAL ASSETS		25,730,003	16,419,713
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	10	5,303,569	3,496,612
Other payables	11	4,478,856	1,125,169
Due to related party	8	14,490	-
Loans from related parties	8	3,000,000	-
		12,796,915	4,621,781
Non-current liabilities			
Loans from related parties	8	12,183,428	15,690,856
Employees' end-of-service benefits	12	326,368	97,633
		12,509,796	15,788,489
Total liabilities		25,306,711	20,410,270
Equity			
Share capital	2	300,000	300,000
Statutory reserve		150,000	-
Accumulated losses		(26,708)	(4,290,557)
Shareholders' equity		423,292	(3,990,557)
TOTAL LIABILITIES AND EQUITY		25,730,003	16,419,713

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

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

The financial statements were authorized for issue on April 8, 2020 by:

الكارجو لوجستكس ش.ذ.م.م
P.O. Box: 50447
DUBAI - U.A.E.
ALLCARGO LOGISTICS L.L.C

Mr. Anu George Mavunil Kunnathil Varughese Georgekutty
Manager

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

Statement of profit or loss and other comprehensive income
For the year ended December 31, 2019

	Note	2019 AED	2018 AED
Revenue		77,970,058	21,273,471
Direct costs	13	(61,811,496)	(17,593,315)
Gross profit		16,158,562	3,680,156
Other operating (loss)/income, net		(53,877)	1,784
General and administrative expenses	14	(11,387,807)	(4,872,994)
Finance costs	8	(303,029)	(130,939)
Profit/(loss) for the year		4,413,849	(1,321,993)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		4,413,849	(1,321,993)

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

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

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

Statement of cash flows
For the year ended December 31, 2019

	Note	2019	2018
Cash flows from operating activities			**AED**
Profit/(loss) for the year		4,413,849	(1,321,993)
Adjustments for:			
Expected credit loss allowance for trade receivables	6	343,810	20,000
Finance costs	8	303,029	130,939
Depreciation of property and equipment	9	177,151	73,306
Provision for employees' end-of-service benefits	12	228,735	97,633
Bad debts written off	14	189,958	-
Operating income/(loss) before working capital changes		5,656,532	(1,000,115)
(Increase) in trade receivables		(5,900,021)	(12,696,899)
(Increase) in other receivables		(532,293)	(690,165)
(Increase) in due from related parties		(182,673)	(211,865)
Increase in trade payables		1,806,957	4,613,338
Increase in other payables		3,353,687	-
Increase in due to related party		14,490	-
Net cash generated from/(used in) operating activities		4,216,679	(9,985,706)
Cash flows from investing activities			
Purchase of property and equipment		(142,738)	(489,857)
Net cash (used in) investing activities		(142,738)	(489,857)
Cash flows from financing activities			
Movement in loans from related parties - net		(511,020)	12,852,373
Finance costs paid		(299,437)	(110,392)
Net cash (used in)/generated from financing activities		(810,457)	12,741,981
Net increase in cash and cash equivalents		3,263,484	2,266,418
Cash and cash equivalents at the beginning of the year	5	2,309,649	43,231
Cash and cash equivalents at the end of the year	5	5,573,133	2,309,649
Non-cash transaction:			
Finance costs charged by related parties and credited to related party accounts		303,029	130,939

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

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

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

Statement of changes in equity
For the year ended December 31, 2019

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Total AED
As at January 1, 2018	300,000	-	(2,968,564)	(2,668,564)
Total comprehensive (loss) for the year	-	-	(1,321,993)	(1,321,993)
As at December 31, 2018	300,000	-	(4,290,557)	(3,990,557)
Total comprehensive income for the year	-	-	4,413,849	4,413,849
Transferred for the year	-	150,000	(150,000)	-
As at December 31, 2019	300,000	150,000	(26,708)	423,292

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

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

1. LEGAL STATUS AND BUSINESS ACTIVITIES

a) 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 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").

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

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

d) The management of the Company 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 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
Ecuhold 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 Allcargo Logistics 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.

c) Functional and reporting currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019.

New standards, improvements, interpretations and amendments issued

- Amendments to IAS 19 — Employee Benefits
- Amendments to IAS 28 — Investments in Associates and Joint Ventures
- Amendments to IFRS 9 — Financial Instruments
- IFRS 16 — Leases
- IFRIC 23 — Uncertainty over Income Tax Treatments
- Annual improvements — IFRS Standards 2015-2017 Cycle
    - IAS 12 Income Taxes
    - IAS 23 Borrowing Costs
    - IFRS 3 Business Combinations
    - IFRS 11 Joint Arrangements

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, 2019.

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 adoption of IFRS 16 did not have any impact on the Company.

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

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory and hence have not been early adopted by the Company in preparing the financial statements for the year ended December 31, 2019.

- Amendments to IAS 1 — Presentation of Financial Statements (January 1, 2020 and January 1, 2022)
- Amendments to IAS 8 — Accounting Policies, Change in Accounting Estimates and Errors (January 1, 2020)
- Amendment to IAS 39 — Financial Instruments: Recognition and Measurement (January 1, 2020)
- Amendments to IFRS 3 — Business Combinations (January 1, 2020)
- Amendments to IFRS 7 — Financial Instruments: Disclosures (January 1, 2020)
- Amendments to IFRS 9 — Financial Instruments (January 1, 2020)
- IFRS 17 — Insurance Contracts (January 1, 2022)
- 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 (January 1, 2020).

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.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); 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 income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, except for impairment of trade receivables and due from related parties which are presented within general and administrative expenses.

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect their contractual cash flows; 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 and cash equivalents, trade receivables, other receivables and due from related parties fall into this category of financial instruments.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and balances with banks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Trade receivables

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

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

h) Other receivables

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

i) Related party balances and transactions

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

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

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. Non-interest-bearing borrowings with indefinite repayment terms are carried at face value and classified as non-current liabilities and no interest is recorded.

j) Impairment of financial assets

IFRS 9’s impairment requirements use forward-looking information to recognise expected credit losses – the expected credit loss (ECL) model. Instruments within the scope of the requirements include financial assets measured at amortised cost, such as trade receivables measured under IFRS 15. The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”);
- 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 credit losses” are recognised for the first category while “lifetime expected credit losses” are recognised for the second category.

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

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's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used.

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

n) Trade payables

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.

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
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Revenue recognition (continued)

The Company generates revenue through the following:

- 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.

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

u) Expenses

Direct costs include all costs directly attributable to the generation of revenue and include wages and salaries of revenue-generating employees, rent expense, 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) Impairment of trade receivables and other receivables

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

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.

5	CASH AND CASH EQUIVALENTS	2019	2018
		AED	AED
	Cash in hand	193,334	49,803
	Cash at bank	5,379,799	2,259,846
		5,573,133	2,309,649

6	TRADE RECEIVABLES	2019	2018
		AED	AED
	Trade receivables - non-related parties	18,265,604	12,672,487
	Trade receivables - related parties (note 8.5)	141,358	24,412
	Total trade receivables (6.1)	18,406,962	12,696,899
	Less: expected credit loss allowance for trade receivables (6.2, 6.3)	(363,810)	(20,000)
	Trade receivables - net	18,043,152	12,676,899

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

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

			Past due		
	Total	Not past due	91 - 120 days	121 - 180 days	>180 days
	AED	AED	AED	AED	AED
2019	18,406,962	16,145,795	1,244,155	771,769	245,243
2018	12,696,899	10,168,272	1,089,942	1,061,671	377,014

6.2 Movement of expected credit loss allowance for trade receivables was as follows:

	2019	2018
	AED	AED
Balance as at the beginning of the year	20,000	-
Provided for during the year (note 14)	343,810	20,000
Balance as at the end of the year	363,810	20,000

6.3 Expected credit loss allowance for trade receivables

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

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

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.

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

7 OTHER RECEIVABLES

	2019 AED	2018 AED
Advances to suppliers	31,793	385,272
Prepaid expenses	303,881	219,248
Deposits	623,118	135,744
VAT recoverable	41,612	-
Other receivables	336,568	64,415
	1,336,972	804,679

There is no 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 parties

Due from related parties	Relationship	2019 AED	2018 AED
Allcargo Logistics FZE, U.A.E.	Group company	394,538	-
ECU Line Middle East LLC, U.A.E.	Group company	-	211,865
		394,538	211,865

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

8.2 Loans from related parties

Loans from related parties	Relationship	2019 AED	2018 AED
Ecuhold N.V., Belgium	Shareholder	5,619,921	6,136,955
Ecuhold N.V. (Jebel Ali Branch), U.A.E	Group company	9,563,507	9,553,901
		15,183,428	15,690,856
Current portion		3,000,000	-
Non-current portion		12,183,428	15,690,856
		15,183,428	15,690,856

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

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

	2019 AED	2018 AED
Balance at the beginning of the year	15,690,856	2,817,936
Loans obtained during the year	596,956	12,852,373
Loans repaid during the year	(1,107,976)	-
Accretion of interest	303,029	130,939
Interest paid	(299,437)	(110,392)
Balance at the end of the year	15,183,428	15,690,856

8.4 Due to related party

Due to related party	Relationship	2019	2018
ECU Line Middle East LLC, U.A.E.	Group company	14,490	-

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		2019 AED	2018 AED
8.5	Related party balances included under trade receivables (note 6)	141,358	24,412
	Related party balances included under trade payables (note 10)	1,056,328	419,529
	Related party balances included under other payables (note 11)	1,215,000	-

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

	2019 AED	2018 AED
Interest on related parties borrowings (part paid, part accrued)	303,029	130,939
Loans repaid during the year	1,107,976	-
Loans obtained during the year	596,956	12,852,373
Sales	111,039	74,057
Direct costs	3,026,890	1,246,496

9 PROPERTY AND EQUIPMENT

9.1 Cost

	Computer equipment AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
As at January 1, 2018	11,520	-	-	-	11,520
Additions during the year	139,743	172,236	91,509	86,369	489,857
As at December 31, 2018	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

9.2 Depreciation

	Computer equipment AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
As at January 1, 2018	11,450	-	-	-	11,450
Charge for the year (note 14)	22,923	33,826	10,134	6,423	73,306
As at December 31, 2018	34,373	33,826	10,134	6,423	84,756
Charge for the year (note 14)	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

9.3 Net book value

	Computer equipment AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
As at December 31, 2019	100,755	104,746	59,877	116,830	382,208
As at December 31, 2018	116,890	138,410	81,375	79,946	416,621

10 TRADE PAYABLES

	2019 AED	2018 AED
Trade payables - non-related parties	4,247,241	3,077,083
Trade payables - related parties (note 8.5)	1,056,328	419,529
	5,303,569	3,496,612

11 OTHER PAYABLES

	2019	2018
	AED	AED
Accrued expenses and other payables (11.1)	4,478,856	1,125,169

11.1 Accrued expenses and other payables include accrued import and export charges amounting to AED 1,215,000 as at December 31, 2019 (2018: AED nil) pertaining to a related party for which invoices were not yet received as at the reporting date and volume discount claims amounting to AED 257,600 as at December 31, 2019 (2018: AED nil) from the Company's key customer.

12 EMPLOYEES' END-OF-SERVICE BENEFITS

	2019	2018
	AED	AED
Balance at the beginning of the year	97,633	-
Provided for the year	228,735	97,633
Balance at the end of the year	326,368	97,633

13 DIRECT COSTS

	2019	2018
	AED	AED
Export documentation and freight charges	27,830,352	9,160,999
Import documentation and freight charges	33,981,144	8,432,316
	61,811,496	17,593,315

14 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	AED	AED
Salaries and benefits	8,789,696	3,687,074
Rent	401,487	230,074
Expected credit loss for trade receivables (note 6)	343,810	20,000
Communications	287,076	100,658
Legal and professional expenses	285,780	338,748
Bad debts written off	189,958	-
Depreciation (note 9)	177,151	73,306
Travelling and conveyance	169,195	66,985
Bank charges	101,181	32,421
Insurance	9,755	78,061
Others	632,718	245,667
	11,387,807	4,872,994

15 COMMITMENTS AND CONTINGENCIES

15.1 Capital and operating expenditure commitments

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

15.2 Contingent liabilities

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

16 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not 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:

	2019	**2018**
	AED	**AED**
Cash at bank (note 5)	5,379,799	2,259,846
Trade receivables (note 6)	18,043,152	12,676,899
Other receivables (excluding prepaid expenses and advances to suppliers) (note 7)	1,001,298	200,159
Due from related parties (note 8)	394,538	211,865
	24,818,787	15,348,769

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

Credit risks related to trade receivables are managed subject to the Company's policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria, and the credit quality of customers is assessed by management.

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company limits its liquidity risk by ensuring funds from related parties are available, as required. Trade payables 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.

16 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
2019			
Trade payables (note 10)	5,303,569	-	5,303,569
Other payables (note 11)	4,478,856	-	4,478,856
Due to related party (note 8)	14,490	-	14,490
Loans from related parties (note 8)	3,000,000	12,183,428	15,183,428
	12,796,915	12,183,428	24,980,343
2018			
Trade payables (note 10)	3,496,612	-	3,496,612
Other payables (note 11)	1,125,169	-	1,125,169
Loans from related parties (note 8)	-	15,690,856	15,690,856
	4,621,781	15,690,856	20,312,637

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. 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.

17 EVENTS AFTER THE REPORTING DATE

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.

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