EUROCENTRE FZCO

FINANCIAL STATEMENTS

DECEMBER 31, 2020

bakertilly
Chartered Accountants

EUROCENTRE FZCO
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EUROCENTRE FZCO

Opinion

We have audited the accompanying financial statements of Eurocentre FZCO ("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 Matter

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the provisions of the Implementing Regulations and the Federal Law, we confirm that we have obtained all the information and explanations necessary for our audit and proper books of account have been maintained by the Company. Further, we are not aware of any contravention during the year of the provisions of the Implementing Regulations and of the Federal Law, as may be applicable to Free Zone Companies, which might have materially affected the financial position of the Company or the results of its operations for the year ended December 31, 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: 23 MAR, 2021

EUROCENTRE FZCO
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2020

ASSETS	Note	2020 AED	2019 AED
Current assets			
Cash and cash equivalents	5	1,164,345	852,189
Due from related party	6	658,348	667,601
Receivables	7	770,095	522,126
		2,592,788	2,041,916
Non-current assets			
Right-of-use asset	8	5,614,199	6,046,061
Property and equipment	9	566,283	878,808
		6,180,482	6,924,869
TOTAL ASSETS		8,773,270	8,966,785
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	194,574	192,637
Lease liabilities	11	381,639	374,090
		576,213	566,727
Non-current liabilities			
Non-current portion of lease liabilities	11	5,340,554	5,729,742
Employees' end-of-service benefits	12	1,038,568	960,755
		6,379,122	6,690,497
Total liabilities		6,955,335	7,257,224
Equity			
Share capital	2	1,300,000	1,300,000
General reserve		583,208	583,208
(Accumulated losses)		(65,273)	(173,647)
Total equity		1,817,935	1,709,561
TOTAL LIABILITIES AND EQUITY		8,773,270	8,966,785

The accompanying notes 1 to 21 form an integral part of these financial statements.

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

The financial statements were authorised for issue on 23 MAR, 2021 by:

Mr. Don Varuna Wirasinha
Managing Director

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EUROCENTRE FZCO

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EUROCENTRE FZCO
Dubai - United Arab Emirates

Statement of comprehensive income
For the year ended December 31, 2020

	Note	2020 AED	2019 AED
Revenue		7,363,904	8,790,693
Direct costs	13	(4,566,968)	(5,701,567)
Gross profit		2,796,936	3,089,126
Other income	14	314,511	319,077
General and administrative expenses	15	(2,885,313)	(3,107,968)
Finance costs	16	(117,760)	(125,310)
Profit for the year		108,374	174,925
Other comprehensive income		-	-
Total comprehensive income for the year		108,374	174,925

The accompanying notes 1 to 21 form an integral part of these financial statements.

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

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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		108,374	174,925
Adjustments for:			
Depreciation of right-of-use asset	8	431,862	431,861
Depreciation of property and equipment	9	314,275	462,954
Provision for employees' end-of-service benefits	12	137,017	123,439
Interest expense on lease liabilities	16	117,760	125,310
Operating profit before working capital changes		1,109,288	1,318,489
(Increase) in receivables		(247,969)	(30,670)
Decrease/(increase) in due from related party		9,253	(59,236)
Increase in trade and other payables		1,937	69,767
Cash generated from operations		872,509	1,298,350
Employees' end-of-service benefits paid	12	(59,204)	(125,522)
Net cash generated from operating activities		813,305	1,172,828
Cash flows from investing activities			
Acquisition of property and equipment	9	(1,750)	-
Net cash (used in) investing activities		(1,750)	-
Cash flows from financing activities			
Payment of lease liabilities	11	(499,399)	(499,400)
Net cash (used in) financing activities		(499,399)	(499,400)
Net increase in cash and cash equivalents		312,156	673,428
Cash and cash equivalents at the beginning of the year	5	852,189	178,761
Cash and cash equivalents at the end of the year	5	1,164,345	852,189
Non-cash transaction:			
Lease liabilities and related right-of-use asset recognised	11	-	6,477,922

The accompanying notes 1 to 21 form an integral part of these financial statements.

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

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EUROCENTRE FZCO
Dubai - United Arab Emirates

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

	Share capital AED	General reserve AED	(Accumulated losses) AED	Total AED
As at January 1, 2019	1,300,000	583,208	(348,572)	1,534,636
Total comprehensive income for the year	-	-	174,925	174,925
As at December 31, 2019	1,300,000	583,208	(173,647)	1,709,561
Total comprehensive income for the year	-	-	108,374	108,374
As at December 31, 2020	1,300,000	583,208	(65,273)	1,817,935

The accompanying notes 1 to 21 form an integral part of these financial statements.

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

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1. LEGAL STATUS AND BUSINESS ACTIVITIES

a) Eurocentre FZCO (the "Company") was incorporated on January 1, 2004 and registered with Jebel Ali Free Zone Authority ("JAFZA") Dubai, United Arab Emirates ("U.A.E.") as a Free Zone Company with limited liability and operates under Service License No. 4577 issued by JAFZA. The current license is valid until December 31, 2021.

b) The principal activities of the Company consist of containers loading and unloading services, and cargo loading and unloading services.

c) The Registered Office of the Company is P.O. Box No. 28430, Jebel Ali, Dubai, U.A.E.

d) The management of the Company is vested with Mr. Don Varuna Wirasinha (Sri Lankan National), the Managing Director.

2. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is AED 1,300,000, divided into 13 shares of AED 100,000 each, and was held by the shareholders as at December 31, 2020 as follows:

Name of the Shareholder	Nationality/Country of Incorporation	No. of shares	Amount in AED	%
ECU Hold N.V.	Belgium	11	1,100,000	85
Ms. Maitha Juma Saif Bin Bakhit Alfalasi - Sponsor	Emirati	2	200,000	15
Total		**13**	**1,300,000**	**100**

The Company is part of the ECU Group of Companies and the Ultimate Controlling Party is Allcargo Global Logistics 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"), Jebel Ali Free Zone Companies Implementing Regulations 2016, and U.A.E. Federal Law No. 2 of 2015, as may be applicable to Free Zone Companies.

b) Accounting convention

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Functional and reporting currency

The functional and reporting currency of the Company is U.A.E. Dirhams ("AED"), as most of its transactions are affected in that currency.

d) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards, 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 any 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 year 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)

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 due from related party 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 the statement of comprehensive income are presented within other income and finance costs, except for impairment of receivables and for due from related party, if any, 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, due from related party, and receivables (except prepaid expenses) fall into this category of financial instruments.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balance with bank.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Related party transactions and balances

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

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

h) Receivables

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

i) Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL - the ECL model. Instruments within the scope of the requirements includes financial assets measured at amortised cost, such as receivables measured under IFRS 15. The Company considers a broad range of information when assessing credit risk and measuring ECL, 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 ECL" are recognised for the first category while "lifetime ECL" are recognised for the second category.

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

j) Offsetting of financial assets and liabilities

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

k) Leases and right-of-use assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Right-of-use assets

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

Depreciation of right-of-use assets is calculated on a straight-line basis to allocate their cost over their remaining lease term as at the date of initial application of IFRS 16 (January 1, 2019) as follows:

Asset	Remaining period	Period
Warehouse	13 years	15 years

Lease liabilities

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

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

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

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

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition and bringing of the asset to its working condition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When a part is replaced, and the new part capitalised, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the statement of comprehensive income during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

Depreciation of assets is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Assets	Years
Buildings and improvements	4-10
Warehouse equipments	2-10
Office furniture and equipment	4
Vehicles	4

Depreciation is charged from the date an asset is available for use up to the date the asset is disposed of.

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) Trade and other payables

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

o) 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.

p) Employees' end-of-service benefits

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

q) General reserve

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) 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.

s) 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 transferring the promised services to its customers.

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.

The Company generates revenue through the following:

- Revenue from containers loading and unloading services, and cargo loading and unloading services is recognised on final execution of orders of customers and agents.

- Revenue from renting of warehouse spaces for storing cargo until it is delivered.

Rental income from related parties for use of JAFZA facilities and miscellaneous receipts are recognised as "other income" on realised amounts.

t) Expenses

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

Related party re-charges portion of salaries and allowances of key employees and management fees to the Company which are recognised as general and administrative expenses.

u) Foreign currency transactions and translations

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the 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 estimates and underlying assumptions are based on factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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 an assumption and estimate is significant to the financial statements, are as follows:

i) Useful lives and residual values of property and equipment

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

ii) Useful lives of right-of-use assets

Right-of-use assets are depreciated over the remaining lease term as at the date of initial application of IFRS 16 (January 1, 2019).

iii) Interest rate used for discounting the lease liabilities

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

iv) Expected credit loss allowance for receivables and due from related party

The Company assesses expected credit loss allowance for receivables and due from related party 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.

5 CASH AND CASH EQUIVALENTS

	2020 AED	2019 AED
Cash on hand	18,711	20,584
Cash at bank	1,145,634	831,605
	1,164,345	852,189

6 RELATED PARTY TRANSACTIONS AND BALANCES

The Company, in the normal course of business, undertakes transactions with entities that fall within the definition of 'related party' contained in International Accounting Standards 24. Refer to note 6.2 for the nature of transactions with related parties. These transactions are carried out at mutually agreed terms.

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

6.1

Due from related party	Relationship	2020 AED	2019 AED
ECU Line Middle East (L.L.C), U.A.E	Group Company	658,348	667,601

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

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

	2020 AED	2019 AED
Revenue	2,129,608	4,892,538
Warehouse rental income (note 14)	314,511	317,012
Management fee expense (note 15)	654,862	658,949

7 RECEIVABLES

	2020 AED	2019 AED
Prepaid expenses	278,191	96,102
Deposits (7.1)	322,830	302,300
VAT recoverable - net	169,074	123,724
	770,095	522,126

7.1 Includes deposit of AED 230,000 under lien with JAFZA for labour visa guarantees. (note 17.2).

8 RIGHT-OF-USE ASSET

	Warehouse AED
8.1 Cost	
As at December 31, 2019 and as at December 31, 2020	6,477,922
8.2 Accumulated depreciation	
Charge for the year (note 13)	431,861
As at December 31, 2019	431,861
Charge for the year (note 13)	431,862
As at December 31, 2020	863,723
8.3 Net book value	
As at December 31, 2020	5,614,199
As at December 31, 2019	6,046,061

8 RIGHT-OF-USE ASSET (continued)

8.4 The Company has entered into a lease agreement dt. January 1, 2019 with JAFZA Authority for the lease of a warehouse for a period of 15 years commencing January 1, 2019.

8.5 The following amounts are recognised in statement of comprehensive income:

	2020 AED	2019 AED
Depreciation of right-of-use assets (note 13)	431,862	431,861
Interest expense on leased liabilities (note 16)	117,760	125,310
	549,622	557,171

9 PROPERTY AND EQUIPMENT

		Buildings and improvements AED	Warehouse equipment AED	Office furniture and equipment AED	Vehicles AED	Total AED
9.1	**Cost**					
	As at December 31, 2018 and December 31, 2019	8,039,007	4,034,916	197,679	907,368	13,178,970
	Additions	-	-	1,750	-	1,750
	Written off	-	(178,800)	-	-	(178,800)
	December 31, 2020	8,039,007	3,856,116	199,429	907,368	13,001,920
9.2	**Accumulated depreciation**					
	As at January 1, 2019	7,209,060	3,578,122	173,975	876,051	11,837,208
	Charge for the year	212,777	201,201	17,659	31,317	462,954
	As at December 31, 2019	7,421,837	3,779,323	191,634	907,368	12,300,162
	Charge for the year (9.4)	175,172	134,087	5,016	-	314,275
	Written off	-	(178,800)	-	-	(178,800)
	As at December 31, 2020	7,597,009	3,734,610	196,650	907,368	12,435,637
9.3	**Net book values**					
	As at December 31, 2020	441,998	121,506	2,779	-	566,283
	As at December 31, 2019	617,170	255,593	6,045	-	878,808

9.4 Depreciation is allocated as follows:

	2020 AED	2019 AED
Direct costs (note 13)	219,993	324,068
General and administrative expenses (note 15)	94,282	138,886
	314,275	462,954

9.5 The cost of fully-depreciated assets that were still in use as at the year-end was AED 10,846,256 (2019: AED 10,121,326).

10 TRADE AND OTHER PAYABLES

	2020 AED	2019 AED
Trade payables	76,706	82,574
Accrued expenses	117,868	110,063
	194,574	192,637

11 LEASE LIABILITIES

	2020 AED	2019 AED
Current portion of lease liabilities	381,639	374,090
Non-current portion of lease liabilities	5,340,554	5,729,742
	5,722,193	6,103,832

The lease agreement expires on December 31, 2033.

11.1 The movement in lease liabilities during the year was as follows:

	2020 AED	2019 AED
Balance at the beginning of the year	6,103,832	6,477,922
Accretion of interest (note 16)	117,760	125,310
Payments	(499,399)	(499,400)
Balance at the end of the year	5,722,193	6,103,832

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

	Gross liabilities AED	Interest amount AED	Net liabilities AED
2020			
Within 1 year	499,400	(110,931)	388,469
2 to 5 year	2,497,000	(434,035)	2,062,965
More than 5 year	3,495,800	(225,041)	3,270,759
	6,492,200	(770,007)	5,722,193
2019			
Within 1 year	499,400	(117,760)	381,640
2 to 5 year	2,497,000	(474,784)	2,022,216
More than 5 year	3,995,200	(295,224)	3,699,976
	6,991,600	(887,768)	6,103,832

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

12 EMPLOYEES' END-OF-SERVICE BENEFITS

	2020 AED	2019 AED
Balance at the beginning of the year	960,755	962,838
Provided for the year	137,017	123,439
Paid during the year	(59,204)	(125,522)
Balance at the end of the year	1,038,568	960,755

13 DIRECT COSTS

	2020 AED	2019 AED
Wages, salaries and benefits	3,374,641	3,941,815
Depreciation of right-of-use asset (note 8.2)	431,862	431,861
Direct costs and related activities	301,985	617,946
Fuel	220,738	362,655
Depreciation of property and equipment (note 9.4)	219,993	324,068
Other direct expenses	17,749	23,222
	4,566,968	5,701,567

14 OTHER INCOME

	2020 AED	2019 AED
Warehouse rental income (note 6)	314,511	317,012
Other income	-	2,065
	314,511	319,077

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 AED	2019 AED
Salaries and benefits	1,215,000	1,365,000
Management fee (note 6.2)	654,862	658,949
Repairs and maintenance	440,457	460,145
Visa and professional fees	199,416	197,632
Insurance	95,328	102,580
Depreciation of property and equipment (note 9.4)	94,282	138,886
Utilities	55,659	52,501
Communications	50,482	48,421
Printing and stationery	34,745	39,517
Travelling and entertainment	28,310	29,853
Bank charges	5,871	6,871
Other expenses	10,901	7,613
	2,885,313	3,107,968

16 FINANCE COSTS

	2020 AED	2019 AED
Interest on lease liabilities (note 11.1)	117,760	125,310

17 COMMITMENTS AND CONTINGENCIES

17.1 Capital and operating expenditure commitments

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

17.2 Contingent liabilities

	2020 AED	2019 AED
Labour guarantees (note 7.1)	230,000	268,300

18 RISK MANAGEMENT

Interest rate risk

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

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 balances:

	2020 AED	2019 AED
Cash at bank (note 5)	1,145,634	831,605
Receivables (excluding prepaid expenses) (note 7)	491,904	426,024
Due from related party (note 6)	658,348	667,601
	2,295,886	1,925,230

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

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

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

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid funds to meet its liabilities as they fall due. The Company limits its liquidity risk by managing its cash flows. The Company's terms of contract require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 30 days from the date of purchase.

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

	Less than 12 months AED	More than 1 year AED	Total AED
2020			
Trade and other payables (note 10)	194,574	-	194,574
Lease liabilities-gross (note 11.2)	499,400	5,992,800	6,492,200
	693,974	5,992,800	6,686,774
2019			
Trade and other payables (note 10)	192,637	-	192,637
Lease liabilities-gross (note 11.2)	499,400	6,492,200	6,991,600
	692,037	6,492,200	7,184,237

18 RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that an adverse movement in currency exchange rates can affect the financial performance of the Company and can arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Most of the Company's transactions are carried out in AED. Exposure to currency exchange rates arises from overseas purchases and transfers of funds from/to related parties which are primarily denominated in US Dollar (USD). Since USD is pegged against AED, hence no risk is involved with regards to the USD.

19 COMPARATIVE INFORMATION

The presentation and classification of the following items of these financial statements have been amended to ensure comparability with the current year's presentation (Warehouse rental income netted off with expense disclosed separately).

	As previously reported AED	Reclassification AED	Current presentation AED
Statement of comprehensive income			
Direct costs (note 13)	(5,536,567)	(165,000)	(5,701,567)
Other income (note 14)	154,077	165,000	319,077

20 EFFECTS OF THE COVID PANDEMIC

In 2020, a corona virus pandemic affecting the global and 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.

21 EVENTS AFTER THE REPORTING DATE

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

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