ECU LINE - ABU DHABI (L.L.C)

FINANCIAL STATEMENTS

DECEMBER 31, 2020

bakertilly
Chartered Accountants

ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

Financial statements for the year ended December 31, 2020

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DIRECTORS' REPORT

The Directors present their report and financial statements of ECU Line - Abu Dhabi (L.L.C) (the "Company") for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is licensed to provide shipment, customs clearance, loading and offloading services.

FINANCIAL REVIEW

The table below summarises the financial results:

	2020 AED	2019 AED
Revenues	5,635,059	5,469,712
Gross profit	965,595	1,135,332
Gross profit margin	17.14%	20.76%
(Loss)/profit for the year	(42,505)	277,944

AUDITORS

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

EFFECTS OF THE COVID PANDEMIC

Since January 2020, the global emergence and rapid spread of the Coronavirus (COVID-19) as well as the associated measures implemented by various governments have had drastic economic effects. The management of the Company are monitoring the development of the global pandemic and will implement the necessary measures, as required.

EVENTS AFTER THE YEAR-END

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

These financial statements were approved by the Board and signed on its behalf by the authorised representative of the Company on March 23, 2021.

Mr. Don Varuna Wirasinha
Managing Director

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مستوى ١٨ ، جناح ١٨٠١-١٠
جميرا باي تاور X2 ، مجمع X
ص.ب.: ١١٥٩١٥، أبراج بحيرات جميرا
دبي، الإمارات العربية المتحدة
هاتف: ٧٢٤٨ ٣٦٩ ٤ ٩٧١+ ، فاكس: ٧١٩٣ ٣٦٩ ٤ ٩٧١+
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE - ABU DHABI (L.L.C)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **ECU Line - Abu Dhabi (L.L.C)** (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 draw attention to note 16 to the financial statements which highlights the possible impact that the current situation regarding the spread of the corona virus (COVID-19) throughout the region and the world has had and could continue to have on the state of affairs and the operating results of the Company in the year 2021. Our opinion is not modified in respect of this matter.

Other Information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE - ABU DHABI (L.L.C) (continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and in compliance with applicable provisions of the U.A.E. Federal Law No. 2 of 2015 (the "Federal Law"), and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ECU LINE - ABU DHABI (L.L.C) (continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the Federal Law, we report that:

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

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

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

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

BAKER TILLY MKM
Chartered Accountants

Sanjiv Gambhir
Engagement Partner
Dubai, United Arab Emirates

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

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

Date: 23 MAR, 2021

ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

Statement of financial position
As at December 31, 2020

	Note	2020 AED	2019 AED
ASSETS			
Current assets			
Cash and cash equivalents	5	69,476	175,703
Accounts receivable	6	898,878	460,790
Other receivables	7	510,615	453,594
		1,478,969	1,090,087
Non-current assets			
Property and equipment	8	8,565	7,234
Total assets		1,487,534	1,097,321
LIABILITIES AND EQUITY			
Current liabilities			
Due to related parties	9	492,769	-
Accounts and other payables	10	654,430	472,552
		1,147,199	472,552
Non-current liabilities			
Employees' end-of-service benefits	11	157,840	121,825
Total liabilities		1,305,039	594,377
Equity			
Share capital	2	150,000	150,000
Statutory reserve		75,000	75,000
(Accumulated losses)/retained earnings		(42,505)	277,944
Total equity		182,495	502,944
Total liabilities and equity		1,487,534	1,097,321

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

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

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

Mr. Don Varuna Wirasinha
Managing Director

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ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

	Note	2020 AED	2019 AED
Revenue		5,635,059	5,469,712
Direct costs		(4,669,464)	(4,334,380)
Gross profit		965,595	1,135,332
General and administrative expenses	12	(1,008,100)	(857,388)
(Loss)/profit for the year		(42,505)	277,944
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(42,505)	277,944

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

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

ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

	Note	2020 AED	2019 AED
Cash flows from operating activities			
(Loss)/profit for the year		(42,505)	277,944
Adjustments for:			
Expected credit losses for accounts receivable	6	43,000	3,752
Depreciation of property and equipment	8	4,569	2,408
Provision for employees' end-of-service benefits	11	36,015	27,069
Operating profit before working capital changes		41,079	311,173
(Increase)/decrease in accounts receivable		(481,088)	436,080
(Increase) in other receivables		(57,021)	(40,620)
Increase in due to related parties		214,825	-
Increase/(decrease) in accounts and other payables		181,878	(277,919)
Net cash (used in)/generated from operating activities		(100,327)	428,714
Cash flows from investing activities			
Acquisition of property and equipment	8	(5,900)	(9,642)
Net cash (used in) investing activities		(5,900)	(9,642)
Cash flows from financing activities			
Dividends paid	9	-	(398,336)
Net cash (used in) financing activities		-	(398,336)
Net (decrease)/increase in cash and cash equivalents		(106,227)	20,736
Cash and cash equivalents at the beginning of the year	5	175,703	154,967
Cash and cash equivalents at the end of the year	5	69,476	175,703
Non-cash transaction:			
Dividends declared during the year and unpaid as at the reporting date	9	277,944	-

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

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

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BAKER TILLY MKM CHARTERED ACCOUNTANTS

ECU LINE - ABU DHABI (L.L.C)
Abu Dhabi - United Arab Emirates

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

	Share capital AED	Statutory reserve AED	Retained earnings / (accumulated losses) AED	Total AED
As at January 1, 2019	150,000	75,000	398,336	623,336
Dividends	-	-	(398,336)	(398,336)
Total comprehensive income for the year	-	-	277,944	277,944
As at December 31, 2019	150,000	75,000	277,944	502,944
Dividends	-	-	(277,944)	(277,944)
Total comprehensive (loss) for the year	-	-	(42,505)	(42,505)
As at December 31, 2020	150,000	75,000	(42,505)	182,495

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

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

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1. LEGAL STATUS AND BUSINESS ACTIVITIES

a) ECU Line - Abu Dhabi (L.L.C) (the "Company") was incorporated on September 23, 2001 and registered as a Limited Liability Company with Commercial License No. CN-1041189 issued by the Department of Economic Development, Abu Dhabi, United Arab Emirates ("U.A.E."). The current license is valid until February 20, 2022.

b) The principal activity of the Company is provision of shipment, customs clearance, loading and offloading services.

c) The Registered Address of the Company is P.O. Box 7158, Abu Dhabi, U.A.E.

d) The control and 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 150,000, divided into 100 shares of AED 1,500 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	%
Ms. Maitha Juma Saif Bin Bakhit Alfalasi - Sponsor	Emirati	51	76,500	51
ECU Hold N.V.	Belgium	49	73,500	49
Total		**100**	**150,000**	**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"), and the U.A.E. Federal Law No. 2 of 2015.

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 U.A.E. Dirham ("AED"), as most of its transactions are effected in that currency.

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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, 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 until the accounting period commencing on or after that shown below, 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)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments

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

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

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

The above classification is determined by both:

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

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

Financial assets at amortised cost

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

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

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

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

f) Cash and cash equivalents

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

g) Accounts receivable

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

The Company makes use of a simplified approach in accounting for accounts receivable and records the loss allowance as lifetime ECL. 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 ECL using a provision matrix.

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to Note 6 for an analysis of how the impairment requirements of IFRS 9 are applied).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Other receivables

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

i) 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 include financial assets measured at amortised cost, such as accounts receivable measured under IFRS 15. The Company considers a broad range of information when assessing credit risk and measuring 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 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.

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

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 realise the asset and settle the liability simultaneously.

k) 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
Vehicles	4
Office equipment	3-4

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) Related party balances and transactions

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

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

Due to 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.

n) Accounts and other payables

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

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

q) Statutory reserve

As per the Memorandum of Association of the Company and provisions of the 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. The Company resolved to discontinue such transfers when the reserve totals 50% of the paid-up share capital. Having attained this limit, transfers have ceased. This reserve is not available for distribution to the shareholders.

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 either at a point in time or over time, 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.

The Company generates revenue from shipment, customs clearance, loading and offloading services, which are recognised on execution of orders of customers and agents.

t) Expenses

Direct costs include all costs directly attributable to the generation of revenue including freight costs, handling fees, customs duties and other related overheads. All other expenses are classified 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.

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

i) Impairment of accounts receivable, other receivables and cash at bank

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

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

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5 CASH AND CASH EQUIVALENTS

	2020	2019
	AED	AED
Cash on hand	10,000	10,000
Cash at bank	59,476	165,703
	69,476	175,703

6 ACCOUNTS RECEIVABLE

	2020	2019
	AED	AED
Accounts receivable - non-related parties	732,358	453,758
Accounts receivable - related parties (note 9.2)	238,272	35,784
Accounts receivable - gross (6.1, 6.2)	970,630	489,542
Less: ECL allowance for accounts receivable (6.3)	(71,752)	(28,752)
Accounts receivable - net	898,878	460,790

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

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

	Total	Not past due	91 - 120 days	121 - 180 days	>180 days
	AED	AED	AED	AED	AED
2020	970,630	807,163	90,145	6,504	66,818
2019	489,542	367,797	60,124	31,264	30,357

6.3 ECL allowance for accounts receivable

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

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

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

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

The movement in ECL allowance for accounts receivable was as follows:	2020	2019
	AED	AED
Balance at the beginning of the year	28,752	25,000
Provided for the year (note 12)	43,000	3,752
Balance at the end of the year	71,752	28,752

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7 OTHER RECEIVABLES

	2020 AED	2019 AED
Deposits (7.1)	365,261	361,031
Prepaid expenses	21,932	45,750
Advances to suppliers (7.2)	75,100	15,755
VAT recoverable, net	28,128	20,053
Others	20,194	11,005
	510,615	453,594

7.1 Deposits include customs deposit of AED 100,000 (2019: AED 100,000) under lien with a bank and visa deposits amounting to AED 15,000 (2019: AED 15,000) (note 13.2).

7.2 Advances to suppliers include amounts due from related parties amounting to AED 71,793 (2019: AED nil) (note 9.2).

7.3 There is no expected impact on account of IFRS 9 on other receivables.

8 PROPERTY AND EQUIPMENT

		Vehicles AED	Office equipment AED	Total AED
8.1	**Cost**			
	As at January 1, 2019	85,360	80,951	166,311
	Additions	-	9,642	9,642
	Disposals	-	(10,619)	(10,619)
	As at December 31, 2019	85,360	79,974	165,334
	Additions	-	5,900	5,900
	As at December 31, 2020	85,360	85,874	171,234
8.2	**Accumulated Depreciation**			
	As at January 1, 2019	85,360	80,951	166,311
	Charge for the year (note 12)	-	2,408	2,408
	Disposals	-	(10,619)	(10,619)
	As at December 31, 2019	85,360	72,740	158,100
	Charge for the year (note 12)	-	4,569	4,569
	As at December 31, 2020	85,360	77,309	162,669
8.3	**Net book values**			
	As at December 31, 2020	-	8,565	8,565
	As at December 31, 2019	-	7,234	7,234

8.4 All items of property and equipment are still in use.

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9 RELATED PARTY BALANCES AND TRANSACTIONS

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

9.1 Due to related parties

	Relationship	2020 AED	2019 AED
ECU Hold N.V., Belgium	Shareholder	209,848	-
Ms. Maitha Juma Saif Bin Bakhit Alfalasi, U.A.E.	Shareholder	68,096	-
ECU Line Middle East (L.L.C), U.A.E.	Group Company	205,044	-
Allcargo Logistics L.L.C, U.A.E.	Group Company	9,781	-
		492,769	-

The amounts due to shareholders relate to unpaid dividends of AED 277,944 as at the reporting date (2019: AED nil).

		2020 AED	2019 AED
9.2	Related party balances included in accounts receivable (note 6)	238,272	35,784
	Related party balances included in other receivables (note 7.2)	71,793	-
	Related party balances included in accounts and other payables (note 10)	82,648	92,435

9.3 There are no repayment terms, interest or security for the related party balances.

9.4 Transactions with related parties during the year were as follows:	2020 AED	2019 AED
Revenue	335,454	39,678
Direct costs	2,483,491	382,745
Management fees (note 12)	82,361	80,958
Dividends payable	277,944	-
Dividends paid	-	398,336

10 ACCOUNTS AND OTHER PAYABLES

	2020 AED	2019 AED
Accounts payable - non-related parties	384,473	292,093
Accounts payable - related parties (note 9.2)	82,648	92,435
	467,121	384,528
Accrued expenses	179,974	75,950
Deferred revenue	7,335	12,074
	654,430	472,552

11 EMPLOYEES' END-OF-SERVICE BENEFITS

	2020 AED	2019 AED
Balance at the beginning of the year	121,825	94,756
Provided for the year	36,015	27,069
Balance at the end of the year	157,840	121,825

12 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 AED	2019 AED
Salaries and benefits	671,670	601,854
Management fees (note 9.4)	82,361	80,958
Professional and other fees	53,595	32,434
ECL for accounts receivable (note 6.3)	43,000	3,752
Rent	33,917	32,190
Communications	30,092	24,932
Insurance	28,373	23,998
Travelling and conveyance	11,262	14,315
Bank charges	10,873	10,821
Depreciation (note 8.2)	4,569	2,408
Other expenses	38,388	29,726
	1,008,100	857,388

13 COMMITMENTS AND CONTINGENCIES

13.1 Capital and operating expenditure commitments

The Company had no capital or operating commitments as at the reporting date. Rent is renewed on an annual basis.

13.2 Contingent liabilities

The Company had the following contingent liabilities as at the reporting date:

	2020 AED	2019 AED
Bank guarantees (note 7.1)	100,000	100,000
Labour guarantees (note 7.1)	15,000	15,000
	115,000	115,000

14 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 financial assets or financial liabilities as at the reporting date.

14 RISK MANAGEMENT (continued)

Credit risk

Credit risk is limited to the carrying values of financial assets in the statement of financial position, and is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company was exposed to credit risk on the following:

	2020	2019
	AED	AED
Cash at bank (note 5)	59,476	165,703
Accounts receivable (note 6)	898,878	460,790
Other receivables (excluding prepaid expenses and advances to suppliers) (note 7)	413,583	392,089
	1,371,937	1,018,582

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

Credit risks related to accounts receivable are managed subject to the Company's policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria and the credit quality of customers is assessed by management. The rating and credit quality is used to determine the ECL for customer receivables in line with IFRS 9. In measuring the ECL, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics.

Other receivables mainly consist of deposits that relate to customs and have no credit risk as they are with government entities. These deposits are fully refundable.

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid funds to meet its financial obligations 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 90 days from the date of invoice.

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

	Less than 12 months
2020	AED
Due to related parties (note 9.1)	492,769
Accounts and other payables (excluding deferred revenue) (note 10)	647,095
	1,139,864
2019	
Accounts and other payables (excluding deferred revenue) (note 10)	460,478

Foreign currency risk

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

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14 RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US Dollars (USD). Since the AED is pegged to the USD, there is no currency risk with regard to the USD.

15 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. The details are as follows:

Amounts due from/to related parties that are earned/incurred in the conduct of the Company's normal course of business have been reclassified to accounts receivable and accounts payable, respectively.

	As previously reported AED	Reclassification AED	Current presentation AED
Statement of financial position			
Accounts receivable (note 6)	425,006	35,784	460,790
Due from related parties	35,784	(35,784)	-
Accounts and other payables (note 10)	(380,117)	(92,435)	(472,552)
Due to related parties	(92,435)	92,435	-

16 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.

17 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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