# ALLCARGO LOGISTICS L.L.C

## FINANCIAL STATEMENTS

## DECEMBER 31, 2018

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

Financial statements for the year ended December 31, 2018

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Chartered Accountants

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

### Opinion

We have audited the financial statements of **Allcargo Logistics L.L.C** including a Branch in Sharjah Airport International Free Zone (collectively **"the Company"**), which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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.

### Emphasis of Matter

We draw attention to note 3 to the financial statements which states that the Company incurred a net loss of AED 1,321,993 for the year ended December 31, 2018 (2017: AED 677,616) and had accumulated losses and negative equity of AED 4,290,557 and AED 3,990,557 respectively as at December 31, 2018 (2017: AED 2,968,564 and AED 2,668,564, respectively), albeit AED 15,690,856 (2017: AED 2,817,936) is a long-term payable to related parties. This raises a material uncertainty that the Company may not be able to continue as a going concern. However, these financial statements have been prepared on a going concern basis as the shareholders have committed to provide future funding, as and when required. Therefore, these financial statements do not include any adjustments relating to the recorded assets, liabilities that might be necessary should the Company be unable to continue as a going concern. Our opinion is not qualified in this respect.

### Other Matter

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

**Report on Legal and Regulatory Requirements**

As required by the Federal Law, we report that:

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

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

3) the Company has maintained proper book of accounts; and

4) based on the information that has been available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended December 31, 2018 any of the applicable provisions of the Federal Law or of its Memorandum of Association which would materially affect its activities or its financial position as at December 31, 2018.

In addition to the Federal Law or the applicable provisions of the Decree, as may be applicable to a branch of a U.A.E. Commercial Company, we confirm that we have obtained all the information and explanations necessary for our audit and proper books of account have been maintained by the Company. Further, we are not aware of any contravention during the year of the provisions of the Federal Law and of the Decree, as may be applicable to a branch of U.A.E Commercial Company, which might have materially affected the financial position of the Company or the results of its operations for the year ended December 31, 2018.

**Baker Tilly MKM**
**Chartered Accountants**
Dubai, United Arab Emirates

**Mago JB Singh,**
FCA, CPA, CMA, CFC, CIBA, CRMA, M.Sc. (Ind. Eng.), MBA
Partner, ELA Number 493

February 28, 2019

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

Statement of financial position
As at December 31, 2018

| | Note | 2018 AED | 2017 AED |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 2,309,649 | 43,231 |
| Trade receivables | 7 | 12,676,899 | - |
| Other receivables | 8 | 804,679 | 114,514 |
| Due from related party | 9 | 211,865 | - |
| | | 16,003,092 | 157,745 |
| **Non-current assets** | | | |
| Property and equipment | 10 | 416,621 | 70 |
| **TOTAL ASSETS** | | 16,419,713 | 157,815 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 4,621,781 | 8,443 |
| | | 4,621,781 | 8,443 |
| **Non-current liabilities** | | | |
| Loans from related parties | 9 | 15,690,856 | 2,817,936 |
| Employees' end-of-service benefits | 12 | 97,633 | - |
| | | 15,788,489 | 2,817,936 |
| **Total liabilities** | | 20,410,270 | 2,826,379 |
| **Equity** | | | |
| Share capital | 2 | 300,000 | 300,000 |
| Accumulated losses | | (4,290,557) | (2,968,564) |
| **Shareholders' equity** | | (3,990,557) | (2,668,564) |
| **TOTAL LIABILITIES AND EQUITY** | | 16,419,713 | 157,815 |

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

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

The financial statements were authorized for issue on February 28, 2019 by:

**Amjad Ahmed Shaikh**
**Manager**



TILLY MKM CHARTERED ACCOUNTANTS
P.O. Box: 115915
DUBAI - U.A.E.

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

Statement of comprehensive income
For the year ended December 31, 2018

| | Note | 2018 AED | 2017 AED |
|---|---|---|---|
| **Revenue** | | 21,273,471 | 125,461 |
| Direct costs | 13 | (17,593,315) | (42,154) |
| **Gross profit** | | 3,680,156 | 83,307 |
| Other income | | 1,784 | 37,517 |
| General and administrative expenses | 14 | (4,872,994) | (728,368) |
| Finance costs | 9 | (130,939) | (70,072) |
| **(Loss) for the year** | | (1,321,993) | (677,616) |
| Other comprehensive income | | - | - |
| **Total comprehensive (loss) for the year** | | (1,321,993) | (677,616) |

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

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

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

Statement of cash flows
For the year ended December 31, 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | AED |
| (Loss) for the year | | (1,321,993) | (677,616) |
| Adjustments for: | | | |
| Depreciation of property and equipment | 10 | 73,306 | 3,506 |
| Finance costs | 9 | 130,939 | 70,072 |
| Provision for employees' end-of-service benefits | 12 | 97,633 | - |
| Operating (loss) before working capital changes | | (1,020,115) | (604,038) |
| (Increase)/decrease in trade receivables | | (12,676,899) | 28,522 |
| (Increase)/decrease in other receivables | | (690,165) | 423,815 |
| (Increase) in due from related parties | | (211,865) | - |
| Increase/(decrease) in trade and other payables | | 4,613,338 | (189,534) |
| Cash (used in) operations | | (9,985,706) | (341,235) |
| Employees' end-of-service benefits paid | 12 | - | (52,490) |
| Finance costs | | (72,945) | (25,015) |
| **Net cash (used in) operating activities** | | (10,058,651) | (418,740) |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | | (489,857) | - |
| **Net cash (used in) investing activities** | | (489,857) | - |
| **Cash flows from financing activities** | | | |
| Movement in loans from related parties | | 12,814,926 | 362,607 |
| **Net cash generated from financing activities** | | 12,814,926 | 362,607 |
| **Net increase/(decrease) in cash and cash equivalents** | | 2,266,418 | (56,133) |
| Cash and cash equivalents at the beginning of the year | 6 | 43,231 | 99,364 |
| **Cash and cash equivalents at the end of the year** | 6 | 2,309,649 | 43,231 |
| **Non-cash transaction:** | | | |
| Finance costs charged by related parties and credited to related party accounts | | 57,994 | 45,057 |

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

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



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

Statement of changes in equity
For the year ended December 31, 2018

| | Share capital AED | Accumulated losses AED | Total AED |
|---|---|---|---|
| **As at January 1, 2017** | 300,000 | (2,290,948) | (1,990,948) |
| Total comprehensive (loss) for the year | - | (677,616) | (677,616) |
| **As at December 31, 2017** | 300,000 | (2,968,564) | (2,668,564) |
| Total comprehensive (loss) for the year | - | (1,321,993) | (1,321,993) |
| **As at December 31, 2018** | 300,000 | (4,290,557) | (3,990,557) |

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

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

## 1. LEGAL STATUS AND BUSINESS ACTIVITIES

a) Allcargo Logistics L.L.C (the "Company") was incorporated on October 19, 2014 and registered with the Department of Economic Development (now Dubai Economy), Government of Dubai, U.A.E as a Limited Liability Company and operates under Commercial License No. 719116. The Company has a branch which was registered on June 13, 2018 and operates in U.A.E under License No. 19680 issued by the Commercial Registration Department of Sharjah Airport International Free Zone Authority ("SAIF Zone Authority").

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

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

d) The management of the Company is vested with Mr. Amjad Ahmed Shaikh (Indian National), the Manager.

## 2. SHARE CAPITAL

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

| Name of the Shareholder | Nationality/country of incorporation | No. of Shares | Amount AED | % |
|---|---|---|---|---|
| Ecuhold N.V. | U.A.E | 147 | 147,000 | 49 |
| Abdulhamid Mohammed Abdulrahim Duwaya - Sponsor | Emirati | 153 | 153,000 | 51 |
| **Total** | | **300** | **300,000** | **100** |

The Company is part of the Allcargo Logistics Group of companies and the ultimate controlling party is Allcargo Global Logistics Ltd.

## 3. MANAGEMENT'S ASSUMPTION RELATING TO GOING CONCERN

The Company incurred a net loss of AED 1,321,993 for the year ended December 31, 2018 (2017: AED 677,616) and had accumulated losses and negative equity of AED 4,290,557 and AED 3,990,557 respectively as at December 31, 2018 (2016: AED 2,968,564 and AED 2,668,564, respectively), albeit AED 15,690,856 (2017: AED 2,817,936) is a long-term payable to related parties. This raises a material uncertainty that the Company may not be able to continue as a going concern. However, these financial statements have been prepared on a going concern basis as the shareholders have committed to provide future funding, as and when required. Therefore, these financial statements do not include any adjustments relating to the recorded assets, liabilities that might be necessary should the Company be unable to continue as a going concern.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently (subject to point d), is set out below:

### a) Basis of preparation

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



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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Accounting convention

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

### c) Functional and reporting currency

The functional and reporting currency of the Company is United Arab Emirates Dirhams ("AED"), as most of its transactions are effected 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 and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after January 1, 2018:

**New and amended standards**

- Amendments to IAS 40 — Investment Property
- Amendments to IFRS 2 — Share-based Payment
- Amendments to IFRS 4 — Insurance Contracts (to be superseded by IFRS 17)
- IFRS 9 — Financial Instruments
- IFRS 15 — Revenue from Contracts with Customers
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration
- Annual improvements — IFRS Standards 2014-2016 Cycle
    - IAS 28 Investments in Associates and Joint Ventures
    - IFRS 1 First-time Adoption of International Financial Reporting Standards

The adoption of these new standards, improvements, amendments and interpretations did not have a material impact on the Company for the year ended December 31, 2018.

**IFRS 9 Financial Instruments**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting.

The adoption of IFRS 9 did not have any impact on the Company's opening retained earnings.

From January 1, 2018, the Company assesses on a forward-looking basis, the expected credit losses associated with its trade receivables and other financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9, and the Company has no hedging activities.



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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### d) Changes in accounting policies (continued)

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires the Company to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The adoption of IFRS 15 did not have any significant impact on the Company's financial position and results of operations for the year ended December 31, 2018, and no effect on the opening retained earnings.

#### 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, 2018.

- Amendments to IAS 1 — Presentation of Financial Statements (January 1, 2020)
- Amendments to IAS 8 — Accounting Policies, Change in Accounting Estimates and Errors (January 1, 2020)
- Amendments to IAS 19 — Employee Benefits (January 1, 2019)
- Amendments to IAS 28 — Investments in Associates and Joint Ventures (January 1, 2019)
- Amendments to IFRS 3 — Business Combinations (January 1, 2020)
- Amendments to IFRS 7 — Financial Instruments: Disclosures (January 1, 2019)
- Amendments to IFRS 9 — Financial Instruments (January 1, 2019)
- IFRS 16 — Leases (January 1, 2019)
- IFRS 17 — Insurance Contracts (January 1, 2022)
- IFRIC 23 — Uncertainty over Income Tax Treatments (January 1, 2019)
- Annual improvements — IFRS Standards 2015-2017 Cycle (January 1, 2019)
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements

Management anticipates that all of the above standards, amendments and interpretations will be adopted by the Company to the extent applicable, from their effective dates. Management is currently assessing the impact that IFRS 16 could have on the Company. Otherwise, the adoption of these standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company in the year of their initial application.

## 4. 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.

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

- amortised cost
- fair value through profit or loss (FVTPL)
- 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
ii. the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables and due from related parties which are presented within general and administrative expenses.

**Financial assets at amortised cost**

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

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

### f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and balances and deposits with banks with a maturity date of three months or less from the date of the deposit.

### g) Trade receivables

Trade receivables are stated at original invoice amount less provision for any uncollectible amounts as per the expected credit loss model. Bad debts are written off when there is no possibility of recovery.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### g) Trade receivables (continued)

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

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to Note 7 for a detailed analysis of how the impairment requirements of IFRS 9 are applied).

### h) Other receivables

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

### i) Related party balances and transactions

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

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

### j) Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the expected credit loss (ECL) model. Instruments within the scope of the new requirements include financial assets measured at amortised cost, such as trade receivables measured under IFRS 15. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event, instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

- financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1");
- financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2"); and
- financial assets that have objective evidence of impairment at the reporting date ("Stage3").

"Stage 3" covers financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while lifetime expected credit losses are recognised for the second category.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### j) Impairment of financial assets (continued)

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

### k) Offsetting of financial assets and liabilities

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

### l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition and bringing of the asset to its working condition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When a part is replaced, and the new part capitalised, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the statement of comprehensive income during the financial period in which they are incurred.

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

| Assets | Years |
|---|---|
| Computer equipment | 3 |
| Furniture and fixtures | 4 |
| Office equipment | 4 |
| Motor vehicles | 4 |

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

### m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 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 liability is calculated annually based on their basic remuneration and length of service at the reporting date.

### q) 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.

### r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding taxes or duties.

To determine whether to recognise revenue, the Company follows a 5-step process as per IFRS 15:

i. Identifying the contract with a customer
ii. Identifying the performance obligations
iii. Determining the transaction price
iv. Allocating the transaction price to the performance obligations
v. Recognising revenue when performance obligation(s) are satisfied

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

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

The Company assesses 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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### r) Revenue recognition (continued)

Revenue from services as a customs broker, cargo loading and unloading, cargo packaging, sea cargo, air cargo, and sea shipping lines agents, distribution and logistics is recognised on execution of orders of customers and agents.

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

### s) Expenses

Direct costs include all costs directly attributable to the generation of revenue and include wages and salaries of revenue-generating employees, rent expense, and other direct costs. All other expenses are classified as general and administrative expenses or finance costs, as appropriate.

### t) 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.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

### i) Useful lives and residual values of property and equipment

The Company reviews the useful lives and residual values of property and equipment (note 3l) 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) Provision for doubtful receivables

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



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## 6 CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|---|---|---|
| | AED | AED |
| Cash in hand | 49,803 | - |
| Cash at bank | 2,259,846 | 43,231 |
| | 2,309,649 | 43,231 |

## 7 TRADE RECEIVABLES

| | 2017 | 2017 |
|---|---|---|
| | AED | AED |
| Trade receivables - non-related parties | 12,672,487 | - |
| Trade receivables - related parties (note 9.4) | 24,412 | - |
| Total trade receivables (7.1) | 12,696,899 | - |
| Less: provision for doubtful debts (7.2) | (20,000) | - |
| Trade receivables - net | 12,676,899 | - |

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

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

| | | | Past due | | |
|---|---|---|---|---|---|
| | Total | Not past due | 91 - 120 days | 121 - 180 days | >180 days |
| | AED | AED | AED | AED | AED |
| 2018 | 12,696,899 | 10,168,272 | 1,089,942 | 1,061,671 | 377,014 |

### 7.2 Provision for doubtful debts

| | 2018 | 2017 |
|---|---|---|
| | AED | AED |
| Provided for and balance at the end of the year | 20,000 | - |

### 7.3 Expected credit losses

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

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

The Company ceased operations in April 2017, hence neither payment profile for sales over the past year nor historical credit losses are available. The expected loss rates reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

On the above basis, the expected credit losses for trade receivables as at December 31, 2018 was determined as follows:



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## 7 TRADE RECEIVABLES (continued)

### 7.3 Expected credit losses (continued)

| Slabs | Trade receivables | Rate | Provision (IFRS 9) |
|---|---|---|---|
| 0-90 days | 10,168,272 | 0.025% | 2,542 |
| 91-120 days | 1,089,942 | 0.25% | 2,725 |
| 121-180 days | 1,061,671 | 0.5% | 5,308 |
| More than 180 days | 377,014 | 2.5% | 9,425 |
| | 12,696,899 | | 20,000 |

## 8 OTHER RECEIVABLES

| | 2018 AED | 2017 AED |
|---|---|---|
| Advances to suppliers | 385,272 | - |
| Prepaid expenses | 219,248 | 26,628 |
| Deposits | 135,744 | 87,886 |
| Other receivables | 64,415 | - |
| | 804,679 | 114,514 |

There is no impact of IFRS 9 on other receivables.

## 9 RELATED PARTY TRANSACTIONS AND BALANCES

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

### 9.1 Due from related party

| Due from related party | Relationship | 2018 AED | 2017 AED |
|---|---|---|---|
| ECU Line Middle East LLC, U.A.E | Group Company | 211,865 | - |

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

### 9.2 Loans from related parties

| Loans from related parties | Relationship | 2018 AED | 2017 AED |
|---|---|---|---|
| Loan from Ecuhold N.V., Belgium | Group Company | 6,136,955 | 2,817,936 |
| Loan from ECU Hold FZE, U.A.E | Group Company | 9,553,901 | - |
| | | 15,690,856 | 2,817,936 |

Loans from Ecuhold N.V. Belgium and ECU Hold FZE are at 2% per annum and without any set terms of repayment or security. However, these loans are not due to be repaid within one year.

| | | 2018 AED | 2017 AED |
|---|---|---|---|
| 9.3 | Related party balances included under trade receivables (note 7) | 24,412 | - |
| | Related party balances included under trade payables (note 11) | 419,529 | - |

## 9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### 9.4 Transactions with related parties during the year were as follows:

| | 2018 AED | 2017 AED |
|---|---|---|
| Interest on related parties borrowings (part paid, part accrued) | 130,939 | 70,072 |
| Loan repaid during the year | - | 395,918 |
| Loan obtained during the year | 12,852,373 | 798,832 |
| Sales | 74,057 | - |
| Direct costs | 1,246,496 | - |

## 10 PROPERTY AND EQUIPMENT

### 10.1 Cost

| | Computer equipment AED | Furniture and fixtures AED | Office equipment AED | Motor vehicles AED | Total AED |
|---|---|---|---|---|---|
| As at January 1, 2017 | 11,520 | - | - | - | 11,520 |
| As at December 31, 2017 | 11,520 | - | - | - | 11,520 |
| Additions during the year | 139,743 | 172,236 | 91,509 | 86,369 | 489,857 |
| As at December 31, 2018 | 151,263 | 172,236 | 91,509 | 86,369 | 501,377 |

### 10.2 Depreciation

| | Computer equipment AED | Furniture and fixtures AED | Office equipment AED | Motor vehicles AED | Total AED |
|---|---|---|---|---|---|
| As at January 1, 2017 | 7,944 | - | - | - | 7,944 |
| Charge for the year | 3,506 | - | - | - | 3,506 |
| As at December 31, 2017 | 11,450 | - | - | - | 11,450 |
| Charge for the year | 22,923 | 33,826 | 10,134 | 6,423 | 73,306 |
| As at December 31, 2018 | 34,373 | 33,826 | 10,134 | 6,423 | 84,756 |

### 10.3 Net book value

| | Computer equipment AED | Furniture and fixtures AED | Office equipment AED | Motor vehicles AED | Total AED |
|---|---|---|---|---|---|
| As at December 31, 2017 | 70 | - | - | - | 70 |
| As at December 31, 2018 | 116,890 | 138,410 | 81,375 | 79,946 | 416,621 |

10.4 The cost of fully depreciated assets still in use as at December 31, 2018 and 2017 was AED 11,520.

## 11 TRADE AND OTHER PAYABLES

| | 2018 AED | 2017 AED |
|---|---|---|
| Trade payables - non-related parties | 3,077,083 | 6,443 |
| Trade payables - related parties (note 9.4) | 419,529 | - |
| Total trade payables | 3,496,612 | 6,443 |
| Accrued expenses and other payables | 1,125,169 | 2,000 |
| | 4,621,781 | 8,443 |



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## 12 EMPLOYEES' END-OF-SERVICE BENEFITS

| | 2018 AED | 2017 AED |
|---|---|---|
| Balance at the beginning of the year | - | 52,490 |
| Provided for during the year | 97,633 | - |
| Paid during the year | - | (52,490) |
| Balance at the end of the year | 97,633 | - |

## 13 DIRECT COSTS

| | 2018 AED | 2017 AED |
|---|---|---|
| Export documentation and freight charges | 9,160,999 | 2,888 |
| Import documentation and freight charges | 8,432,316 | 39,266 |
| | 17,593,315 | 42,154 |

## 14 GENERAL AND ADMINISTRATIVE EXPENSES

| | 2018 AED | 2017 AED |
|---|---|---|
| Salaries and benefits | 3,687,074 | 199,397 |
| Legal and professional expenses | 338,748 | 435,969 |
| Rent | 230,074 | 61,603 |
| Communications | 100,658 | - |
| Insurance | 78,061 | - |
| Depreciation (note 10) | 73,306 | - |
| Travelling and conveyance | 66,985 | - |
| Bank charges | 32,421 | - |
| Provision for doubtful debts (note 7) | 20,000 | - |
| Others | 245,667 | 31,399 |
| | 4,872,994 | 728,368 |

## 15 COMMITMENTS AND CONTINGENCIES

### 15.1 Capital and operating expenditure commitments

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

### 15.2 Contingent liabilities

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

## 16 RISK MANAGEMENT

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to interest rate risk as there were no interest-bearing assets as at the reporting date, while the interest-bearing liabilities pertained to borrowings from related parties on which interest rates were fixed.

## 16 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:

| | 2018<br>AED | 2017<br>AED |
|---|---|---|
| Cash at bank | 2,259,846 | 43,231 |
| Trade receivables | 12,676,899 | - |
| Other receivables (excluding prepaid expenses and advances to suppliers) | 200,159 | 87,886 |
| Due from related parties (note 9.1) | 211,865 | - |
| | 15,348,769 | 131,117 |

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

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

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

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

### Liquidity risk

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

The table below summarizes the maturities of the Company's undiscounted financial liabilities at December 31.

| | Less than 1 year<br>AED | More than 1 year<br>AED | Total<br>AED |
|---|---|---|---|
| **2018** | | | |
| Trade and other payables | 4,621,781 | - | 4,621,781 |
| Loans from related parties | - | 15,690,856 | 15,690,856 |
| | 4,621,781 | 15,690,856 | 20,312,637 |
| **2017** | | | |
| Trade and other payables | 8,443 | - | 8,443 |
| Loans from related parties | - | 2,817,936 | 2,817,936 |
| | 8,443 | 2,817,936 | 2,826,379 |

Amounts due to related parties will only be settled if the Company has sufficient resources. Consideration as to how to settle this liability is currently being given at the Parent Company level.



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## 16 RISK MANAGEMENT (continued)

### Foreign currency risk

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

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

## 17 EVENTS AFTER THE REPORTING DATE

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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