ECU LINE MIDDLE EAST (L.L.C)

FINANCIAL STATEMENTS

DECEMBER 31, 2020

bakertilly
Chartered Accountants

ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

Financial statements for the year ended December 31, 2020

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES OF THE COMPANY

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.

FINANCIAL REVIEW

The table below summarises the financial results:

	2020 AED	2019 AED
Revenues	55,049,928	56,438,798
Gross profit	4,867,066	5,248,497
Gross profit margin	8.84%	9.30%
Profit for the year	127,525	55,573

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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ECU LINE MIDDLE EAST (L.L.C)
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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 MIDDLE EAST (L.L.C)

Opinion

We have audited the accompanying financial statements of **ECU Line Middle East (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 refer to note 18 to the financial statements, which highlights the possible impact that the current situation regarding the spread of the corona virus (COVID-19) throughout the region and the world has had and could continue to have on the state of affairs and the operating results of the Company in the year 2021. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report set out on page 1. 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 MIDDLE EAST (L.L.C) (continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, in compliance with provisions of U.A.E. Federal Law No. 2 of 2015 (the "Federal Law"), and the applicable provisions of Jebel Ali Fee Zone Implementing Regulations 2016 ("Implementing Regulations"), as may be applicable to U.A.E. Commercial Companies, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ECU LINE MIDDLE EAST (L.L.C) (continued)

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

- 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.

Report on Other Legal and Regulatory Requirements

As required by the Federal Law, we report that:

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

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

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

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

BAKER TILLY MKM
Chartered Accountants

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 MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

Statement of financial position
As at December 31, 2020

	Note	2020 AED	2019 AED
ASSETS			
Current assets			
Cash and cash equivalents	5	838,636	672,689
Accounts receivable	6	6,188,771	8,417,746
Other receivables	7	2,120,478	2,196,358
Due from related parties	8	218,328	1,091,854
		9,366,213	12,378,647
Non-current assets			
Property and equipment	9	78,045	85,221
Total assets		9,444,258	12,463,868
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	10	2,527,373	2,225,779
Other payables	11	3,083,265	4,062,064
Due to related parties	8	719,884	3,335,933
		6,330,522	9,623,776
Non-current liabilities			
Employees end-of-service benefits	12	2,536,211	2,334,519
Total liabilities		8,866,733	11,958,295
Equity			
Share capital	2	300,000	300,000
Statutory reserve	3r	150,000	150,000
Retained earnings		127,525	55,573
Total equity		577,525	505,573
Total equity and liabilities		9,444,258	12,463,868

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

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

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

Mr. Don Varuna Wirasinha
Managing Director

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ECU LINE MIDDLE EAST (L.L.C)
A/C

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ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

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

	Note	2020 AED	2019 AED
Revenue		55,049,928	56,438,798
Direct costs	13	(50,182,862)	(51,190,301)
Gross profit		4,867,066	5,248,497
Other income	14	364,906	140,439
Selling and distribution expenses		(31,821)	(73,244)
General and administrative expenses	15	(5,072,626)	(5,260,119)
Profit for the year		127,525	55,573
Other comprehensive income		-	-
Total comprehensive income for the year		127,525	55,573

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

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

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ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

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

	Note	2020 AED	2019 AED
Cash flows from operating activities			
Profit for the year		127,525	55,573
Adjustments for:			
Depreciation of property and equipment	9	38,499	36,354
Sundry creditors written-back	14	(129,135)	-
Provision for employees' end-of-service benefits	12	286,561	354,224
Expected credit loss allowance for accounts receivable	6	60,000	-
Operating profit before working capital changes		383,450	446,151
Decrease/(increase) in accounts receivable		2,168,975	(1,393,445)
Decrease/(increase) in other receivables		75,880	(529,994)
(Decrease)/increase in related parties' balances - net		(842,523)	146,230
Increase/(decrease) in accounts payable		430,729	(196,519)
(Decrease)/increase in other payables		(978,799)	1,921,122
Cash generated from operations		1,237,712	393,545
Employees' end-of-service benefits paid	12	(84,869)	(429,409)
Net cash generated from/(used in) operating activities		1,152,843	(35,864)
Cash flows from investing activities			
Acquisition of property and equipment	9	(31,323)	(61,105)
Net cash (used in) investing activities		(31,323)	(61,105)
Cash flows from financing activities			
Dividends paid	8	(55,573)	(648,593)
Loan (repaid)/received	8	(900,000)	900,000
Net cash (used in)/generated from financing activities		(955,573)	251,407
Net increase in cash and cash equivalents		165,947	154,438
Cash and cash equivalents at the beginning of the year	5	672,689	518,251
Cash and cash equivalents at the end of the year	5	838,636	672,689

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

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

ECU LINE MIDDLE EAST (L.L.C)
Dubai - United Arab Emirates

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

	Share capital AED	Statutory reserve AED	Retained earnings AED	Total AED
As at January 1, 2019	300,000	150,000	648,593	1,098,593
Dividends	-	-	(648,593)	(648,593)
Total comprehensive income for the year	-	-	55,573	55,573
As at December 31, 2019	300,000	150,000	55,573	505,573
Dividends	-	-	(55,573)	(55,573)
Total comprehensive income for the year	-	-	127,525	127,525
As at December 31, 2020	300,000	150,000	127,525	577,525

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

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

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1. LEGAL STATUS AND BUSINESS ACTIVITIES

a) ECU Line Middle East (L.L.C) (the "Company") was incorporated on August 2, 1999 and registered with the Department of Economic Development (now Dubai Economy), Government of Dubai, United Arab Emirates (U.A.E.) as a Limited Liability Company and operates under Commercial License No. 513445 which is valid until August 1, 2021. The Company was registered on September 15, 1999 under Logistic License No. 2343 issued by the Commercial Registration Department of Jebel Ali Free Zone Authority ("JAFZA") and which is valid until December 31, 2021.

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. 28430, Jebel Ali, Dubai, U.A.E.

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

2. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is AED 300,000, divided into 100 shares of AED 3,000 each, and was held by the shareholders as at December 31, 2020 as follows:

Name of the Shareholder	Nationality/Country of Incorporation	No. of shares	Amount in AED	%
Ms. Maitha Juma Saif Bin Bakhit Alfalasi - Sponsor	Emirati	51	153,000	51
Ecu Hold N.V.	Belgium	49	147,000	49
Total		**100**	**300,000**	**100**

The Company is part of the ECU Group of Companies and the Ultimate Controlling Party is Allcargo Global Logistics Ltd.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("the Committee"), U.A.E. Federal Law No. 2 of 2015 and Jebel Ali Free Zone Companies Implementing Regulations 2016, as may be applicable to U.A.E. Commercial Companies.

b) Accounting convention

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

c) Functional and reporting currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards, improvements, interpretations and amendments to IFRS that are mandatorily effective for accounting years beginning on or after January 1, 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.

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

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

The above classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs, except for impairment of accounts receivable and due from related parties which are presented within general and administrative expenses.

Financial assets at amortised cost

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

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

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

The Company's cash and cash equivalents, accounts and other receivables (excluding prepaid expenses deferred charges, and advances to suppliers), and due from related parties fall into this category of financial instruments.

f) Cash and cash equivalents

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

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 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 ECL model.

Accrued income relates to services that have been completed at the year-end but the associated revenue had not yet been billed to the customer.

Deferred costs are costs that have already been incurred, but which will be charged to expense in a later reporting period, as and when the performance obligations are met.

i) Related party balances and transactions

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

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

Amounts due from/to related parties are classified as current assets/liabilities unless there is a formal agreement in place to defer collection/repayment for a period in excess of 12 months, in which case the amount collectible/repayable after 12 months as at the reporting date is classified as non-current assets/liabilities.

j) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment

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

Depreciation of assets is calculated using the straight-line method and based on their estimated useful lives as follows:

Assets	Years
Furniture, fixtures and office equipment	3-5
Vehicles	4-5

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

m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

n) Accounts payable

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

Credit balances which are unclaimed by the counter-party for periods exceeding three years are written-off and other income is recognised. The management reviews unclaimed credit balances on a regular basis.

o) Other payables

Deferred revenue refers to payments received in advance for services which have not yet been performed.

Accrued costs are the cost of goods or services received or incurred during a period for which the suppliers' invoices have not been received as at the reporting date.

p) Employees' end-of-service benefits

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

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CHARTERED ACCOUNTANTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) 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.

r) Statutory reserve

As required by 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.

s) Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

t) Revenue recognition

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

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

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

Revenue is recognised when (or as) the Company satisfies performance obligations by carrying out or providing the promised services for 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.

Revenue from shipment, customs clearance, loading and offloading services is recognised on execution of orders of customers and agents.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Expenses

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

v) Foreign currency transactions and translations

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

i) Expected credit loss allowance for accounts and other receivables, due from related parties 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, due from related parties, and cash at bank is made in line with IFRS 9. This assessment is reviewed by management on a regular basis. The Company deals with reputable banks to limit its credit risk with respect to cash at banks. Other receivables and due from related parties carry minimal credit risk.

5 CASH AND CASH EQUIVALENTS

	2020	2019
	AED	AED
Cash on hand	63,066	91,884
Cash at bank	775,570	580,805
	838,636	672,689

6 ACCOUNTS RECEIVABLE

	2020	2019
	AED	AED
Accounts receivable - non related parties	5,141,244	7,061,747
Accounts receivable - related parties (note 8.3)	1,695,833	1,999,317
	6,837,077	9,061,064
Expected credit loss allowance for accounts receivable (note 6.2)	(648,306)	(643,318)
Accounts receivable - net	6,188,771	8,417,746

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

			Past due		
	Total	Not past due	91-120 days	121-180 days	>180 days
	AED	AED	AED	AED	AED
2020	6,837,077	6,035,553	281,826	127,108	392,590
2019	9,061,064	8,078,918	421,892	242,015	318,239

The Company's credit period is 90 days after which date accounts receivable are considered to be past due. 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 ECL allowance for accounts receivable

	2020	2019
	AED	AED
Balance at the beginning of the year	643,318	775,000
Provided for the year (note 15)	60,000	-
Written - off during the year	(55,012)	(131,682)
Balance at the end of the year	648,306	643,318

The Company applies the IFRS 9 simplified model of recognising 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 forwarding 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 the credit period and failure to engage with the Company on alternative payment arrangements amongst others are considered indicators of significant increase in credit risk.

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7 OTHER RECEIVABLES

	2020 AED	2019 AED
Deposits (7.1)	1,298,540	1,524,540
Prepaid expenses	181,037	197,091
Deferred charges	293,600	414,646
Advances to suppliers	115,126	-
Others	232,175	60,081
	2,120,478	2,196,358

7.1 Deposits include custom and port deposits of AED 560,000 (2019: AED 510,000) and visa deposits amounting to AED 155,300 (2019: AED 275,300). Additionally, it includes AED 405,000 (2019: AED 510,000) margin deposits held under lien against guarantees issued on behalf of the Company for any future claims and AED 50,640 (2019: AED 50,640) time deposit.

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

8 RELATED PARTY TRANSACTIONS AND BALANCES

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

8.1 Due from related parties

	Relationship	2020 AED	2019 AED
Allcargo Logistics L.L.C, U.A.E.	Group Company	4,200	14,490
ECU Hold N.V. (Jebel Ali Branch), U.A.E.	Group Company	8,853	1,077,364
ECU Line - Abu Dhabi (L.L.C), U.A.E.	Group Company	205,044	-
ECU Worldwide (Bahrain) Co. W.L.L	Group Company	231	-
		218,328	1,091,854

8.2 Due to related parties

Eurocentre FZCO, U.A.E.	Group Company	664,311	632,872
ECU Hold N.V. (Jebel Ali Branch), U.A.E.	Group Company	47,793	1,457,790
Ms. Maitha Juma Saif Bin Bakhit Alfalasi, U.A.E.	Shareholder	7,780	-
ECU Worldwide (Bahrain) Co. W.L.L	Group Company	-	425,694
Ecu Hold N.V., Belgium	Parent Company	-	819,577
		719,884	3,335,933

As per the Group policy, dividends and loan payments are made separately and these are not netted off against other balances with the related parties. Therefore the balances due from and due to ECU Hold N.V. (Jebel Ali Branch) are gross balances and are not netted off against each other.

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

8.3

	AED	AED
Related party balances included in accounts receivable (note 6)	1,695,833	1,999,317
Related party balances included in accounts payable (note 10)	1,753,034	1,323,580

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8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

8.4 Transactions with related parties during the year were as follows (except fund transfers):

	2020 AED	2019 AED
Dividends paid	55,573	648,593
Revenue (note 8.5)	10,540,340	10,593,644
Direct costs (note 8.6)	11,282,607	11,088,991
Loan (repaid)/received	(900,000)	900,000
Management fee income (note 14)	60,000	60,000
Management fee expense (note 15)	1,324,462	656,353

8.5 Revenue from related parties relates to contracts where the related party is the originator of the contract and the revenue recognised by the Company is the Company's share.

8.6 Direct costs of related parties relates to costs incurred where the Company is the originator of the contract and the costs reported is the share related to the related party's activities.

9 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment AED	Vehicles AED	Total AED
9.1 Cost			
As at January 1, 2019	955,705	289,412	1,245,117
Additions	54,058	7,047	61,105
Disposals	(108,376)	-	(108,376)
As at December 31, 2019	901,387	296,459	1,197,846
Additions	31,323	-	31,323
Disposals	(26,385)	-	(26,385)
As at December 31, 2020	906,325	296,459	1,202,784
9.2 Accumulated depreciation			
As at January 1, 2019	900,816	283,831	1,184,647
Charge for the year	33,619	2,735	36,354
Disposals	(108,376)	-	(108,376)
As at December 31, 2019	826,059	286,566	1,112,625
Charge for the year	34,942	3,557	38,499
Disposals	(26,385)	-	(26,385)
As at December 31, 2020	834,616	290,123	1,124,739
9.3 Net book values			
As at December 31, 2020	71,709	6,336	78,045
As at December 31, 2019	75,328	9,893	85,221

9.4 Assets fully depreciated at the year-end had cost of AED 1,055,080 (2019: AED 1,081,465).

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10 ACCOUNTS PAYABLE

	2020	2019
	AED	AED
Accounts payable - non related parties	774,339	902,199
Accounts payable - related parties (note 8.3)	1,753,034	1,323,580
	2,527,373	2,225,779

11 OTHER PAYABLES

	2020	2019
	AED	AED
Accrued expenses - import and export	1,848,103	1,471,869
Other accrued expenses	799,456	2,053,710
Deferred revenue	405,411	300,528
VAT payable, net	30,295	235,957
	3,083,265	4,062,064

12 EMPLOYEES' END-OF-SERVICE BENEFITS

	2020	2019
	AED	AED
Balance at the beginning of the year	2,334,519	2,409,704
Provided for the year	286,561	354,224
Paid during the year	(84,869)	(429,409)
Balance at the end of the year	2,536,211	2,334,519

13 DIRECT COSTS

	2020	2019
	AED	AED
Direct costs of export activities	21,412,031	21,493,419
Direct costs of import activities	24,888,251	24,859,125
Salaries and benefits	3,882,580	4,837,757
	50,182,862	51,190,301

14 OTHER INCOME

	2020	2019
	AED	AED
Sundry creditors written-back	129,135	-
Management fee income (note 8.4)	60,000	60,000
Foreign currency exchange gains - net	49,152	35,398
Other income	126,619	45,041
	364,906	140,439

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15 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
	AED	AED
Salaries and benefits	2,588,387	3,225,171
Management fee (note 8.4)	1,324,462	656,353
Insurance	266,185	279,820
Telephone and communications	216,210	291,875
Legal, visa and professional fees	177,207	204,892
Repairs and maintenance	113,122	129,484
Utilities	95,302	120,782
Rent	68,441	75,621
ECL for accounts receivable (note 6.2)	60,000	-
Travelling and entertainment	54,040	147,326
Depreciation (note 9)	38,499	36,354
Bank charges	24,620	43,775
Other expenses	46,151	48,666
	5,072,626	5,260,119

16 COMMITMENTS AND CONTINGENCIES

16.1 Capital and operating expenditure commitments

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

16.2 Contingent liabilities

	2020	2019
	AED	AED
Bank guarantees (note 7.1)	542,000	642,000

17 RISK MANAGEMENT

Interest rate risk

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

Credit risk

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

	2020	2019
	AED	AED
Cash at bank (note 5)	775,570	580,805
Accounts receivable (note 6)	6,188,771	8,417,746
Other receivables (except prepaid expenses deferred charges, and advances to suppliers) (note 7)	1,530,715	1,584,621
Due from related parties (note 8)	218,328	1,091,854
	8,713,384	11,675,026

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17 RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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 expected credit losses, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics.

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 credit risk by managing its cash flows.

The Company's terms of contract require amounts to be paid within 90 days of the date of invoice.

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

	Less than 6 months AED
2020	
Accounts payable (note 10)	2,527,373
Other payables (excluding deferred revenue) (note 11)	2,677,854
Due to related parties (note 8)	719,884
	5,925,111
2019	
Accounts payable (note 10)	2,225,779
Other payables (excluding deferred revenue) (note 11)	3,761,536
Due to related parties (note 8)	3,335,933
	9,323,248

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.

Most of the Company's transactions are carried out in AED and USD. As the AED is pegged to the USD, there is no currency risk with regards to USD.

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18 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.

19 EVENTS AFTER THE REPORTING DATE

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

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