

**ECU LINE ABU DHABI LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**ECU LINE ABU DHABI LLC**

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**ECU LINE ABU DHABI LLC**  
Abu Dhabi - United Arab Emirates

Financial statements for the year ended December 31, 2018

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECU LINE ABU DHABI LLC**

### **Opinion**

We have audited the financial statements of ECU Line Abu Dhabi LLC ( "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.

### **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 U.A.E Federal Law No. 2 of 2015 (the "Federal Law"), and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
ECU LINE ABU DHABI LLC (continued)****Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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  
ECU LINE ABU DHABI LLC (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.

*Baker Tilly MKM*



**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

ECU Line Abu Dhabi LLC  
Dubai - United Arab Emirates

Statement of financial position  
As at December 31, 2018

	Note	2018 AED	2017 AED
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	154,967	229,058
Trade receivables	6	892,946	334,175
Other receivables	7	412,974	436,755
Due from related parties	8	7,676	47,294
		<u>1,468,563</u>	<u>1,047,282</u>
<b>Non-current assets</b>			
Property and equipment	9	-	20,381
<b>Total assets</b>		<u><u>1,468,563</u></u>	<u><u>1,067,663</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Due to related parties	8	180,393	101,195
Trade and other payables	10	570,078	291,734
		<u>750,471</u>	<u>392,929</u>
<b>Non-current liabilities</b>			
Employees' end-of-service benefits	11	94,756	81,607
<b>Total liabilities</b>		<u>845,227</u>	<u>474,536</u>
<b>Equity</b>			
Share capital	2	150,000	150,000
Statutory reserve		75,000	75,000
Retained earnings		398,336	368,127
<b>Shareholders' equity</b>		<u>623,336</u>	<u>593,127</u>
<b>Total liabilities and equity</b>		<u><u>1,468,563</u></u>	<u><u>1,067,663</u></u>

The accompanying notes 1 to 15 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 authorised for issue on February 28, 2019 by:

  
Don Varuna Wirasinha  
Managing Director



ECU Line Abu Dhabi LLC  
Dubai - United Arab Emirates

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

	Note	2018 AED	2017 AED
Revenue		5,305,011	4,168,800
Direct costs		(4,042,926)	(2,875,009)
Gross profit		1,262,085	1,293,791
Other income		9,025	832
General and administrative expenses	12	(872,774)	(926,496)
Profit for the year		398,336	368,127
Other comprehensive income		-	-
Total comprehensive income for the year		398,336	368,127

The accompanying notes 1 to 15 form an integral part of the financial statements.

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



ECU Line Abu Dhabi LLC  
Dubai - United Arab Emirates

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

	Note	2018 AED	2017 AED
<b>Cash flows from operating activities</b>			
Profit for the year		398,336	368,127
Adjustments for:			
Provision for doubtful debts	6	21,925	304
Depreciation of property and equipment	9	20,381	23,581
Provision for employees' end-of-service benefits	11	13,149	23,901
Payables balances written-off		-	(832)
Operating profit before working capital changes		453,791	415,081
(Increase)/decrease in trade receivables		(580,696)	142,540
Decrease/(increase) in other receivables		23,781	(16,277)
Decrease/(increase) in related party balances - net		118,816	(28,937)
Increase in trade and other payables		278,344	64,532
Cash flows from operations		294,036	576,939
Employees' end-of-service benefits paid	11	-	(26,258)
Net cash generated from operating activities		294,036	550,681
<b>Cash flows from financing activities</b>			
Dividends paid		(368,127)	(584,869)
Net cash (used in) financing activities		(368,127)	(584,869)
<b>Net (decrease) in cash and cash equivalents</b>		(74,091)	(34,188)
Cash and cash equivalents at the beginning of the year	5	229,058	263,246
Cash and cash equivalents at the end of the year	5	154,967	229,058

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



ECU Line Abu Dhabi LLC  
Dubai - United Arab Emirates

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

	Share capital AED	Statutory reserve AED	Retained earnings AED	Total AED
As at January 1, 2017	150,000	75,000	584,869	809,869
Dividends	-	-	(584,869)	(584,869)
Total comprehensive income for the year	-	-	368,127	368,127
As at December 31, 2017	<u>150,000</u>	<u>75,000</u>	<u>368,127</u>	<u>593,127</u>
Dividends	-	-	(368,127)	(368,127)
Total comprehensive income for the year	-	-	398,336	398,336
As at December 31, 2018	<u>150,000</u>	<u>75,000</u>	<u>398,336</u>	<u>623,336</u>

The accompanying notes 1 to 15 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) ECU Line Abu Dhabi LLC ("the Company") was incorporated on September 23, 2001 and registered as a Limited Liability Company with Commercial License No. CN-1041189 issued by the Department of Economic Development, Abu Dhabi, United Arab Emirates ("UAE").
- b) The principal activity of the Company is provision of shipment, customs clearance, loading and offloading services.
- c) The registered office of the Company is P.O. Box 7158, Abu Dhabi, UAE.
- d) The control and management of the Company is vested with Mr. Don Varuna Wirasinha (Sri Lankan National), the Managing Director.

### 2. SHARE CAPITAL

The authorized and issued capital of the Company as of December 31, 2018 was AED 150,000, divided into 100 shares of AED 1,500 each, and was held by the following shareholders:

Name of Shareholder	Nationality/ Country of Incorporation	No. of shares	Amount AED	Percentage of shareholding
Ecuhold N.V.	Belgium	49	73,500	49
Heirs of Mr. Juma Saif Rashid bin Bakhit* - Sponsor	Emirati	51	76,500	51
<b>Total</b>		<b>100</b>	<b>150,000</b>	<b>100</b>

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

\*The shareholder, Mr. Juma Saif Rashid bin Bakhit, expired in the year 2015. As per the order of the Dubai Court dated August 10, 2015, the inheritance of the shares of the deceased was transferred to his heirs, who appointed Ms. Maitha Juma Saif bin Bakhit Al Falasi as the representative of the estate until further notice.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("the Committee"), and U.A.E Federal Law No. 2 of 2015.

#### b) Accounting convention

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

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

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

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 their 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.

#### 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Financial instruments (continued)**

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.

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.

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

#### g) Trade receivables (continued)

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 6 for a detailed analysis of how the impairment requirements of IFRS 9 are applied).

#### h) Other receivables

Other receivables consists 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 expected credit loss model.

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 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 includes 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 instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"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.

**3. 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) 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.

**r) Contingent liabilities**

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

**s) Revenue recognition**

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

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

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

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

#### s) Revenue recognition (continued)

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

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as current liabilities in these financial statements. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from shipment, customs clearance, loading and offloading services 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.

#### t) 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.

#### u) Foreign currency transactions and translations

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

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

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) 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.



5	CASH AND CASH EQUIVALENTS	2018	2017
		AED	AED
	Cash at bank	144,967	219,058
	Cash in hand	10,000	10,000
		<u>154,967</u>	<u>229,058</u>
6	TRADE RECEIVABLES	2018	2017
		AED	AED
	Trade receivables	917,946	367,121
	Less: provision for doubtful debts (6.2)	(25,000)	(32,946)
	Trade receivables - net (6.1)	<u>892,946</u>	<u>334,175</u>

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

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

	Total	Not past due	Past due but not impaired		
			91 - 120 days	120 - 180 days	>180 days
			AED	AED	AED
2018	<u>917,946</u>	<u>812,983</u>	<u>51,814</u>	<u>7,008</u>	<u>46,141</u>
2017	<u>367,121</u>	<u>290,322</u>	<u>20,303</u>	<u>14,886</u>	<u>41,610</u>

6.2	Provision for doubtful debts	2018	2017
		AED	AED
	Balance at the beginning of the year	32,946	45,813
	Provided for during the year	21,925	304
	Written off during the year	(29,871)	(13,171)
	Balance at the end of the year	<u>25,000</u>	<u>32,946</u>

6.3 Expected credit loss

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

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

The expected loss rates are based on the payment profile for sales over the past 24 months before December 31, 2018 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.

9 PROPERTY AND EQUIPMENT

	Vehicles AED	Office equipment AED	Total AED
<b>9.1 Cost</b>			
As at January 1, 2017	85,360	80,951	166,311
As at December 31, 2017 and December 31, 2018	<u>85,360</u>	<u>80,951</u>	<u>166,311</u>
<b>9.2 Accumulated Depreciation</b>			
As at January 1, 2017	44,551	77,798	122,349
Charge for the year	21,340	2,241	23,581
As at December 31, 2017	65,891	80,039	145,930
Charge for the year	19,469	912	20,381
As at December 31, 2018	<u>85,360</u>	<u>80,951</u>	<u>166,311</u>
<b>9.3 Net book value</b>			
As at December 31, 2018	-	-	-
As at December 31, 2017	<u>19,469</u>	<u>912</u>	<u>20,381</u>

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

10 TRADE AND OTHER PAYABLES

	2018 AED	2017 AED
Trade payables	505,910	248,486
Accrued expenses	64,168	43,248
	<u>570,078</u>	<u>291,734</u>

11 EMPLOYEES' END-OF-SERVICE BENEFITS

	2018 AED	2017 AED
Balance at the beginning of the year	81,607	83,964
Provided for during the year	13,149	23,901
Paid during the year	-	(26,258)
Balance at the end of the year	<u>94,756</u>	<u>81,607</u>

12 GENERAL AND ADMINISTRATIVE EXPENSES	2018	2017
	AED	AED
Salaries and benefits	536,020	619,785
Management fees (note 8)	85,738	82,219
Rent	54,132	57,996
Legal, visa and professional charges	50,697	44,465
Depreciation (note 9)	20,381	23,581
Communications	23,448	20,195
Provision for doubtful debts (note 6)	21,925	304
Insurance	19,937	25,266
Travelling and conveyance	17,509	16,425
Bank charges	12,545	11,383
Other expenses	30,442	24,877
	<u>872,774</u>	<u>926,496</u>

13 COMMITMENTS AND CONTINGENCIES

13.1 Capital and operating expenditure commitments

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

13.2 Contingent liabilities

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

	2018	2017
	AED	AED
Bank guarantees	<u>100,000</u>	<u>100,000</u>

14 RISK MANAGEMENT

Interest rate risk

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

	2018	2017
	AED	AED
Cash at bank	144,967	219,058
Trade receivables	892,946	334,175
Other receivables (excluding prepaid expenses)	387,235	379,527
Due from related parties	7,676	47,294
	<u>1,432,824</u>	<u>980,054</u>

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

14 RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid funds to meet its financial obligations as they fall due. The Company limits its liquidity risk by ensuring funds are available, when required.

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

	Less than 6 months AED
<b>2018</b>	
Trade and other payables	570,078
Due to related parties	180,393
	<u>750,471</u>
<b>2017</b>	
Trade and other payables	291,734
Due to related parties	101,195
	<u>392,929</u>

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.

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

15 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.