

ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018



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ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ECU LINE SAUDI ARABIA COMPANY

Jeddah- Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Ecu Line Saudi Arabia Company (a limited liability company) (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia ("ISAs"). 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and the provisions of Companies' Regulation and the articles of association of the Company, and for such internal control as management determines is 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 Board of Directors 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 control.

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BAKER TILLY

MKM & CO. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the shareholders of Ecu Line Saudi Arabia Company
Jeddah- Kingdom of Saudi Arabia**

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

- Obtain an understanding of internal control 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 control.
- 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.
- 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BAKER TILLY MKM & CO.
Certified Public Accountants

Ayad Obeyan Alseraihi
License No. 405
Jeddah 16 Shabaan 1440 H
21 April 2019



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ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 SR	31 December 2017 SR (Note 4)	1 January 2017 SR (Note 4)
ASSETS				
Non-current assets				
Property and equipment	5	206,928	299,371	379,529
Deferred tax assets	6	444,381	467,897	660,263
		<u>651,309</u>	<u>767,268</u>	<u>1,039,792</u>
Current assets				
Trade receivables	7	9,706,956	10,019,250	9,203,424
Prepayments and other receivables	8	3,683,649	7,303,465	4,725,446
Cash and cash equivalents	9	3,040,936	4,439,665	5,446,239
		<u>16,431,541</u>	<u>21,762,380</u>	<u>19,375,109</u>
TOTAL ASSETS		<u>17,082,850</u>	<u>22,529,648</u>	<u>20,414,901</u>
EQUITY AND LIABILITIES				
Equity				
Capital	10	1,350,000	1,350,000	1,350,000
Statutory reserve		512,766	512,766	512,766
Retained earnings		6,688,389	2,777,492	3,131,265
Total equity		<u>8,551,155</u>	<u>4,640,258</u>	<u>4,994,031</u>
Non-current liabilities				
Employee termination benefits	13	2,092,202	1,698,370	1,244,003
		<u>2,092,202</u>	<u>1,698,370</u>	<u>1,244,003</u>
Current liabilities				
Accounts payable	14	2,760,831	8,770,856	3,951,620
Accrued expenses and other payables	15	2,569,904	6,825,107	9,722,222
Zakat and income tax payable	16	1,108,758	595,057	503,025
		<u>6,439,493</u>	<u>16,191,020</u>	<u>14,176,867</u>
Total liabilities		<u>8,531,695</u>	<u>17,889,390</u>	<u>15,420,870</u>
TOTAL EQUITY AND LIABILITIES		<u>17,082,850</u>	<u>22,529,648</u>	<u>20,414,901</u>



The accompanying notes form an integral part of these financial statements

ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 SR	2017 SR (Note 4)
Revenue from contracts with customers	17	72,073,695	72,097,909
Rental income		5,669,183	4,899,318
Total revenue		77,742,878	76,997,227
Cost of revenue		(63,021,272)	(66,649,741)
Gross profit		14,721,606	10,347,486
General and administrative expenses	18	(7,426,702)	(6,652,695)
Operating profit		7,294,904	3,694,791
Finance costs	13	(89,985)	(65,811)
Other income / (expenses)	19	142,981	(699,915)
Profit before zakat and income tax		7,347,900	2,929,065
Zakat	16	(93,249)	(30,257)
Income tax			
- Current	16	(1,060,422)	(564,800)
- Deferred	6	(23,516)	(192,366)
PROFIT FOR THE YEAR		6,170,713	2,141,642
Other Comprehensive Income (OCI)			
<i>OCI that will not be reclassified to profit or loss in subsequent years:</i>			
Remeasurements of defined benefit liability	13	(19,427)	(48,706)
Other comprehensive income for the year, net of zakat and tax		(19,427)	(48,706)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,151,286	2,092,936



The accompanying notes form an integral part of these financial statements

ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	<i>Note</i>	<i>Capital</i>	<i>Statutory</i>	<i>Retained</i>	<i>Total equity</i>
		<i>SR</i>	<i>reserve</i>	<i>earnings</i>	<i>SR</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
For the year ended 31 December 2018:					
As at 1 January 2018	4	1,350,000	512,766	2,777,492	4,640,258
Profit for the year		-	-	6,170,713	6,170,713
Other comprehensive income		-	-	(19,427)	(19,427)
Total comprehensive income		-	-	6,151,286	6,151,286
Transfer to statutory reserve		-	-	-	-
Cash dividends		-	-	(2,240,389)	(2,240,389)
As at 31 December 2018		1,350,000	512,766	6,688,389	8,551,155
For the year ended 31 December 2017:					
As at 1 January 2017	4	1,350,000	512,766	3,131,265	4,994,031
Profit for the year		-	-	2,141,642	2,141,642
Other comprehensive income		-	-	(48,706)	(48,706)
Total comprehensive income		-	-	2,092,936	2,092,936
Transfer to statutory reserve		-	-	-	-
Cash dividends		-	-	(2,446,709)	(2,446,709)
As at 31 December 2017		1,350,000	512,766	2,777,492	4,640,258



The accompanying notes form an integral part of these financial statements

ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	SR	SR
		(Note 4)
OPERATING ACTIVITIES		
Profit for the year	6,170,713	2,141,642
Adjustments for non-cash items:		
Depreciation	138,140	184,292
Employee termination benefits incurred	355,043	339,850
Finance costs	89,985	65,811
Deferred tax expense	23,516	192,366
Zakat and income tax charges	1,153,671	595,057
	<u>7,931,068</u>	<u>3,519,018</u>
Changes in working capital:		
Trade receivables	312,294	(815,826)
Prepayments and other receivables	3,619,816	(2,578,019)
Accounts payable	(6,010,025)	4,819,236
Accrued expenses and other payables	(4,255,203)	(2,897,115)
	<u>1,597,950</u>	<u>2,047,294</u>
Employee termination benefits paid	(70,623)	-
Zakat and income tax paid	(639,970)	(503,025)
Net cash flows from operating activities	<u>887,357</u>	<u>1,544,269</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(45,697)	(104,134)
Net cash flows used in investing activities	<u>(45,697)</u>	<u>(104,134)</u>
FINANCING ACTIVITIES		
Dividends paid	(2,240,389)	(2,446,709)
Net cash flows used in financing activities	<u>(2,240,389)</u>	<u>(2,446,709)</u>
Net change in cash and cash equivalents	<u>(1,398,729)</u>	<u>(1,006,574)</u>
Cash and cash equivalents at the beginning of the year	<u>4,439,665</u>	<u>5,446,239</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>3,040,936</u></u>	<u><u>4,439,665</u></u>



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The accompanying notes form an integral part of these financial statements

ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 COMPANY INFORMATION

ECU Line Saudi Arabia (the "Company") is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 4030222136 issued in Jeddah on 6 Rabi' Alawal 1433H (29 January 2012). The Company has obtained SAGIA license No. 1020321111943 on 4 Dul Qeddah 1432 (2nd October 2011). The registered address of the Company is Muhammadiyah Plaza, Madina Munawara road, PO Box 104071, Jeddah 21331, Kingdom of Saudi Arabia.

The Company is principally engaged in providing storage, shipping, handling, loading and unloading services and logistic support.

These financial statements include the assets, liabilities and activities of the Company and its following branches:

<u>CR number</u>	<u>Location</u>	<u>Dated</u>
2050102137	Dammam	30 Shawal 1435 (27 August 2014)
1020321111943	Riyadh	04 Dul Qeddah 1432 (02 October 2011)

2 BASIS OF PREPARATION

The financial statements of the Company for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants (IFRS). Details of the Company's significant accounting policies are disclosed in note 22.

For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia ("local GAAP"). These financial statements for the year ended 31 December 2018 are for the first year for which the Company prepares its financial statements in accordance with IFRS. Refer to note 4 for information on how the Company adopted IFRS.

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest Riyal (SR).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risk and uncertainties' includes:

- Financial instruments risk management Note 21
- Sensitivity analysis disclosures Note 13

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.



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ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Estimates and assumptions (continued)

Employees' termination benefits

The cost of employees' end of service benefits are determined using actuarial valuation. Certain actuarial assumptions have been adopted as disclosed in note 13 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

Impairment of trade receivables

The Company uses a provision matrix to calculate Expected Credit Losses "ECLs" for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered an integral part of trade receivables and considered in the calculation of impairment. At every reporting date, the historical observed default rates are updated and changes in the forwardlooking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 7

4 FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 December 2018, are for the first year for which the Company prepares its financial statements in accordance with IFRS. For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with Local GAAP.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2018, together with the comparative period data. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2017, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2017 and 31 December 2017 and the statements of comprehensive income and cash flows for the year ended 31 December 2017.

Estimates

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from 'Employees' terminal benefits' where application of Local GAAP results in different estimates.

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.



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ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

4 FIRST-TIME ADOPTION OF IFRS (continued)

Reconciliation of equity as at 1 January 2017 (date of transition to IFRS):

	Notes	Local GAAP SR	Remeasurement SR	IFRS as at 1 January 2017 SR
ASSETS				
Non-current assets				
Property and equipment		379,529	-	379,529
Deferred tax assets	A	-	660,263	660,263
		<u>379,529</u>	<u>660,263</u>	<u>1,039,792</u>
Current assets				
Trade receivables	B	10,945,202	(1,741,778)	9,203,424
Prepayments and other receivables	B	9,334,565	(4,609,119)	4,725,446
Cash and cash equivalents		5,446,239	-	5,446,239
		<u>25,726,006</u>	<u>(6,350,897)</u>	<u>19,375,109</u>
TOTAL ASSETS		<u>26,105,535</u>	<u>(5,690,634)</u>	<u>20,414,901</u>
EQUITY AND LIABILITIES				
Total equity				
Capital		1,350,000	-	1,350,000
Statutory reserve		512,766	-	512,766
Retained earnings		2,446,709	684,556	3,131,265
		<u>4,309,475</u>	<u>684,556</u>	<u>4,994,031</u>
Non-current liabilities				
Employee termination benefits	C	1,268,296	(24,293)	1,244,003
		<u>1,268,296</u>	<u>(24,293)</u>	<u>1,244,003</u>
Current liabilities				
Deferred Revenue	B	1,741,778	(1,741,778)	-
Accounts payable	B	8,560,739	(4,609,119)	3,951,620
Accrued expenses and other payables		9,722,222	-	9,722,222
Zakat and income tax payable		503,025	-	503,025
		<u>20,527,764</u>	<u>(6,350,897)</u>	<u>14,176,867</u>
Total liabilities		<u>21,796,060</u>	<u>(6,375,190)</u>	<u>15,420,870</u>
TOTAL EQUITY AND LIABILITIES		<u>26,105,535</u>	<u>(5,690,634)</u>	<u>20,414,901</u>



ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

4 FIRST-TIME ADOPTION OF IFRS (continued)

Reconciliation of equity as at 31 December 2017:

	Notes	Local GAAP SR	Remeasurement SR	IFRS as at 31 December 2017 SR
ASSETS				
Non-current assets				
Property and equipment		299,371	-	299,371
Deferred tax assets	A	-	467,897	467,897
		<u>299,371</u>	<u>467,897</u>	<u>767,268</u>
Current assets				
Trade receivables	B	11,965,983	(1,946,733)	10,019,250
Prepayments and other receivables	B	8,494,183	(1,190,718)	7,303,465
Cash and cash equivalents		4,439,665		4,439,665
		<u>24,899,831</u>	<u>(3,137,451)</u>	<u>21,762,380</u>
TOTAL ASSETS		<u>25,199,202</u>	<u>(2,669,554)</u>	<u>22,529,648</u>
EQUITY AND LIABILITIES				
Equity				
Capital		1,350,000	-	1,350,000
Statutory reserve		512,766	-	512,766
Retained earnings		2,285,302	492,190	2,777,492
Total equity		<u>4,148,068</u>	<u>492,190</u>	<u>4,640,258</u>
Non-current liabilities				
Employee termination benefits	C	1,722,663	(24,293)	1,698,370
		<u>1,722,663</u>	<u>(24,293)</u>	<u>1,698,370</u>
Current liabilities				
Deferred Revenue	B	1,946,733	(1,946,733)	-
Accounts payable	B	9,961,574	(1,190,718)	8,770,856
Accrued expenses and other payables		6,825,107	-	6,825,107
Zakat and income tax payable		595,057	-	595,057
		<u>19,328,471</u>	<u>(3,137,451)</u>	<u>16,191,020</u>
Total liabilities		<u>21,051,134</u>	<u>(3,161,744)</u>	<u>17,889,390</u>
TOTAL EQUITY AND LIABILITIES		<u>25,199,202</u>	<u>(2,669,554)</u>	<u>22,529,648</u>



ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

4 FIRST-TIME ADOPTION OF IFRS (continued)

Company reconciliation of total comprehensive income for the year ended 31 December 2017:

	Notes	Local GAAP SR	Remeasurement SR	IFRS for the year ended 31 December 2017 SR
Revenue from contracts with customers		76,997,227	-	76,997,227
Cost of revenue		(66,649,741)	-	(66,649,741)
Gross profit		10,347,486	-	10,347,486
General and administrative expenses	C	(6,767,212)	114,517	(6,652,695)
Operating profit		3,580,274	114,517	3,694,791
Finance cost		-	(65,811)	(65,811)
Other income / (expenses)		(699,915)	-	(699,915)
Profit before zakat and income tax		2,880,359	48,706	2,929,065
Zakat		-	(30,257)	(30,257)
Income tax		-	-	-
- Current year		-	(564,800)	(564,800)
- Deferred	A	-	(192,366)	(192,366)
PROFIT FOR THE YEAR		2,880,359	(738,717)	2,141,642
Other Comprehensive Income (OCI)				
<i>OCI that will not be reclassified to profit or loss in subsequent years:</i>				
Remeasurements of defined benefit liability	C	-	(48,706)	(48,706)
Other comprehensive income for the year, net of zakat and tax		-	(48,706)	(48,706)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,880,359	(787,423)	2,092,936



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ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

4 FIRST-TIME ADOPTION OF IFRS (continued)

Reconciliation of cash flows for the year ended 31 December 2017:

The transition to IFRS did not have any impact on the Company's cash flows for the year ended 31 December 2017.

Notes to the reconciliation of equity as at 1 January 2017 and 31 December 2017 and total comprehensive income for the year ended 31 December 2017:

A. Deferred tax asset

Under local GAAP, the Company did not recognize deferred tax on temporary differences. Under IFRS, Deferred tax assets or liabilities are required to be recognized on such temporary differences. Accordingly, on the date of transition, deferred tax assets amounting to SR 660,263 (31 December 2017: SR 467,897) has been recognized with corresponding increase in the retained earnings by SR 660,263 (31 December 2017: SR 467,897)

B. Deferred revenue & related cost

Under local GAAP, the company deferred the costs and revenues for uncompleted projects to subsequent period. IFRS requires that revenue should only be recognized when the performance obligation is satisfied and the related cost of revenue should be recognized when it is incurred. This resulted in the reversal of deferred costs and deferred revenue as at the transition date amounting to SR 4,609,119 and SR 1,741,778, respectively. (2017: SR 1,190,718 and SR 1,946,733, respectively).

C. Employee termination benefits

Under Local GAAP, the Company recognised costs related to its employees' terminal benefits by calculating the obligation using current salary levels and assuming all contracts are terminated by the Company. Under IFRS, terminal benefits are recognised using the projected unit credit method. The required obligation under IFRS as at 1 January 2017 was less by SR 24,293 and the difference has been recognised against retained earnings. The difference between the expense recognized in the statement of profit or loss under Local GAPP and the expense under IFRS representing remeasurement differences as at 31 December 2017 of SR 48,706 has been recognised in retained earnings through OCI.



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ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

5 PROPERTY AND EQUIPMENT

	<i>Furnitures & Fixtures</i>	<i>Office Equipment</i>	<i>Forklift</i>	<i>Vehicles</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:					
At 1 January 2017	691,323	430,100	267,916	282,295	1,671,634
Additions	83,269	20,865	-	-	104,134
At 31 December 2017	774,592	450,965	267,916	282,295	1,775,768
Additions	45,697	-	-	-	45,697
At 31 December 2018	820,289	450,965	267,916	282,295	1,821,465
Accumulated depreciation:					
At 1 January 2017	419,246	426,591	232,192	214,076	1,292,105
Charge for the year	77,671	2,680	35,723	68,218	184,292
At 31 December 2017	496,917	429,271	267,915	282,294	1,476,397
Charge for the year	135,950	2,190	-	-	138,140
At 31 December 2018	632,867	431,461	267,915	282,294	1,614,537
Net book values:					
At 31 December 2018	187,422	19,504	1	1	206,928
At 31 December 2017	277,675	21,694	1	1	299,371

6 DEFERRED TAX ASSETS

The movement in the deferred tax asset is as follows:

	2018	2017
	<i>SR</i>	<i>SR</i>
1 January	467,897	660,263
Deferred tax expense during the year	(23,516)	(192,366)
31 December	444,381	467,897

Deferred tax Assets / (liabilities) recognized due to temporary differences arising on:

	2018	2017	2016
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Employee termination benefits	292,908	237,772	174,160
Allowance for expected credit losses	97,375	82,455	73,561
Accelerated depreciation on property and equipment	(6,790)	(4,812)	(18,946)
Provision for projects	60,888	152,482	431,488
	444,381	467,897	660,263



ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

7 TRADE RECEIVABLES

	31 December 2018	31 December 2017	1 January 2017
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Accounts receivable - third parties	10,207,965	10,281,308	9,512,803
Accounts receivable - related parties (Note 20)	299,552	326,908	216,055
	10,507,517	10,608,216	9,728,858
Less: allowance for expected credit losses	(800,561)	(588,966)	(525,434)
	9,706,956	10,019,250	9,203,424

Trade receivables are unsecured and non-interest bearing. Accounts receivable are generally on terms of 30 to 90 days.

The movement in the allowance for expected credit losses is as follows:

	2018	2017
	<i>SR</i>	<i>SR</i>
1 January	588,966	525,434
Additions	211,595	63,532
31 December	800,561	588,966

An aged analysis of trade receivables as at 31 December is as follows:

	Neither past due nor impaired	Past due but not impaired				Total
	<i>SR</i>	<i>< 90 days SR</i>	<i>91-180 days SR</i>	<i>181-365 days SR</i>	<i>> 365 days SR</i>	
2018	3,453,588	4,767,773	1,348,089	119,578	17,928	9,706,956
2017	3,496,867	3,985,792	1,731,882	552,171	252,538	10,019,250

The Company records an allowance for expected credit losses considering various factors including age of the receivable balances, financial condition of the customers, economic conditions of the countries of domicile, etc.

8 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018	31 December 2017	1 January 2017
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Refundable deposits	1,895,253	1,112,664	1,070,900
Prepaid expenses	843,764	1,522,923	833,782
Receivables from employees	347,455	394,867	176,078
Advance payment to supplier	294,954	2,644,469	1,437,986
Contract assets	82,044	1,257,116	146,062
Deferred expenses	-	-	680,345
Other	220,179	371,426	380,293
	3,683,649	7,303,465	4,725,446



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ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

9 CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017	1 January 2017
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cash on hand	158,028	204,046	110,734
Cash at bank	2,882,908	4,235,619	5,335,505
	3,040,936	4,439,665	5,446,239

10 CAPITAL

The capital of the Company as at 31 December 2018 comprised 135,000 shares stated at SR 10 per share (2017 & 2016: the same) and is distributed as follows:

	<u>Nationality</u>	<u>Equity %</u>	<u>No. of Shares</u>	<u>Share Capital</u>
				<i>SR</i>
Najd Trading and General Contracting Company	Saudi	30	40,500	405,000
Ecuhold N.V	Non Saudi	70	94,500	945,000
		100	135,000	1,350,000

11 DIVIDENDS

During 2018, dividend of SR 2,240,389 were declared and paid (2017: SR 2,446,709).

12 CAPITAL MANAGEMENT

For the purpose of capital management, capital includes capital, statutory reserve and all other equity reserves attributable to the shareholders of the Company. The primary objective of capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders.

13 EMPLOYEE TERMINATION BENEFITS

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	<u>2018</u>	<u>2017</u>
	<i>SR</i>	<i>SR</i>
1 January	1,698,370	1,244,003
Expense charged to profit or loss	445,028	405,661
Actuarial remeasurement charged to OCI	19,427	48,706
Payments	(70,623)	-
31 December	2,092,202	1,698,370

The expense charged to profit or loss comprise of:

	<u>2018</u>	<u>2017</u>
	<i>SR</i>	<i>SR</i>
Current service cost	355,043	339,850
Interest cost	89,985	65,811
Cost recognized in profit or loss	445,028	405,661



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ECU LINE SAUDI ARABIA
(A Saudi Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

13 EMPLOYEE TERMINATION BENEFITS (continued)

Significant actuarial assumptions	As at 31 December	
	2018	2017
Discount factor used	5.80%	5.80%
Salary increase rate	4.25%	4.25%
Rates of employee turnover	Moderate	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2018		31 December 2017	
	%	SR	%	SR
Discount rate				
Increase	+1%	1,943,161	+1%	1,568,344
Decrease	-1%	2,264,858	-1%	1,850,711
Salary growth rate				
Increase	+1%	2,265,823	+1%	1,851,589
Decrease	-1%	1,939,717	-1%	1,565,391

14 ACCOUNTS PAYABLE

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Accounts payable - third parties	1,531,686	3,980,862	-
Accounts payable - related parties (Note 20)	1,229,145	4,789,994	3,951,620
	<u>2,760,831</u>	<u>8,770,856</u>	<u>3,951,620</u>

15 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Accrued expenses	1,659,387	4,153,374	4,885,215
Advances from customers	307,087	1,957,789	4,071,027
Other payables	603,430	713,944	765,980
	<u>2,569,904</u>	<u>6,825,107</u>	<u>9,722,222</u>

16 ZAKAT AND INCOME TAX

Basis for Zakat and income tax:

The Company is subject to zakat and income tax. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. Income tax is payable at 20% of adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets.



ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

16 ZAKAT AND INCOME TAX (continued)

Zakat and income taxes charged to the statement of profit or loss:

	2018	2017
	SR	SR
Current zakat and income tax charges	1,153,671	595,027
Adjustments in respect of current zakat and income tax of previous years	44,913	-
	<u>1,198,584</u>	<u>595,027</u>

The movement in the zakat and income tax payable is as follows:

	2018	2017
	SR	SR
1 January	595,057	503,025
Charge for the year	1,153,671	595,057
Payments	(639,970)	(503,025)
31 December	<u>1,108,758</u>	<u>595,057</u>

Status of certificates and assessments:

The Company received final zakat and income tax certificates for the years up to 2017. The Company received final assessments from GAZT until 2014. The assessments for the years from 2015 to 2017 are still under review by GAZT.

17 REVENUE FROM CONTRACTS WITH CUSTOMERS

Segments	2018	2017
	SR	SR
Type of services		
Air freight and related income	7,272,628	12,236,918
Ocean freight and related income	64,801,067	59,860,991
Total revenue from contracts with customers	<u>72,073,695</u>	<u>72,097,909</u>
Geographical markets		
Central region	31,130,585	24,557,883
Western region	21,617,911	34,531,450
Eastern region	11,673,634	9,599,158
Exports	7,651,565	3,409,418
Total revenue from contracts with customers	<u>72,073,695</u>	<u>72,097,909</u>



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ECU LINE SAUDI ARABIA

(A Saudi Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)**FOR THE YEAR ENDED 31 DECEMBER 2018****18 GENERAL AND ADMINISTRATIVE EXPENSES**

	2018	2017
	SR	SR
Employee benefits	3,658,863	3,926,232
Insurance	656,573	337,557
Consultancy fees	599,231	-
Traveling and transportation	551,174	569,978
Rent expense	347,496	338,498
Government fees	289,531	249,372
Telephone and internet charges	244,782	236,389
Allowance for expected credit loss	211,595	63,532
Management fees	166,890	163,683
Maintenance charges	153,163	204,063
Depreciation	138,140	184,292
Others	409,264	379,099
	<u>7,426,702</u>	<u>6,652,695</u>

19 OTHER INCOME / EXPENSES

	2018	2017
	SR	SR
Reversal of old liabilities	311,833	-
Foreign exchange loss	(168,852)	(699,915)
	<u>142,981</u>	<u>(699,915)</u>

20 RELATED PARTY DISCLOSURES

The following table provides the total amount of material transactions that have been entered into with related parties:

	2018	2017
	SR	SR
Ocean freight		
Najd General trading & construction	-	1,124,231
Eco-Logistics NV (Belguim)	-	338,573
Eco-line Middle East (united emirates)	-	2,036,750
Prism Global LTD	-	1,747,813
Management fee		
EcuHold NV	166,890	163,683
Trade (Sales)		
Ecu-Line Middle East	1,598,544	1,645,608
Ecu-Line U.K.	552,909	556,979
Ecu-Line Germany	289,257	520,086
Ecu-Line N.V.	249,665	374,800
Ecu-Line Turkey	70,265	389,916



ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

20 RELATED PARTY DISCLOSURES (continued)

	2018	2017
	SR	SR
Trade (Purchases)		
Ecu-Line U.K.	72,508	40,328
Ecu-Line Middle East	56,949	43,928
Ecu-Line Germany	58,419	41,775
Ecu-Line N.V.	9,750	97,961
Ecu-Line Turkey	-	49,013

Key management personnel

Short term employee benefits	1,070,337	1,032,466
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The above transactions resulted in the following balances at year end:

Due from related parties as of 31 December comprises the following:

	2018	2017
	SR	SR
Ecu-Hold N.V.	299,552	40,001
Najd Trading and General Contracting Company	-	148,683
Others	-	138,224
	299,552	326,908

Due to related parties as of 31 December comprises the following:

	2018	2017
	SR	SR
Ecu-Hold N.V.	1,229,145	-
Ecu Line middle east LLC	-	2,157,251
Prism Global Ltd	-	1,747,479
Ecu logistics N.V.	-	246,010
Others	-	639,254
	1,229,145	4,789,994

* The amounts are classified as trade receivables and trade payables, respectively (see Notes 7 and 14)



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ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

21 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

21.1 Fair value measurements of financial instruments

As at 31 December 2018, the Company does not have any financial instruments measured at fair value (2017: the same).

21.2 Risk Management of Financial Instruments

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its trade receivables, other receivables and bank balances as follows.

	31 December 2018	31 December 2017	1 January 2017
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Trade Receivables	9,706,956	10,019,250	9,203,424
Bank balances	2,882,908	4,235,619	5,335,505
Other receivables	220,179	371,426	380,293
	12,810,043	14,626,295	14,919,222

The carrying amount of financial assets represents the maximum credit exposure.

The Company seeks to limit its credit risk with respect to trade receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to bad debts is not significant. The five largest customers account approximately for 44% of trade receivables at 31 December 2018 (2017: 36%).

Bank balances are held with banks with sound credit ratings.

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2018			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Financial Liabilities				
Accounts payable	2,760,831	2,760,831	-	-
Accrued expenses and other payables	1,827,903	1,827,903	-	-
	4,588,734	4,588,734	-	-
	31 December 2017			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Financial liabilities				
Accounts payable	8,770,856	8,770,856	-	-
Accrued expenses and other payables	4,867,318	4,867,318	-	-
	13,638,174	13,638,174	-	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Company's future commitments.



21 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Company's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Company's currency. The Company exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD") and Euro. The Company's management believes that their exposure to currency risk is limited to Euro as the Company's currency is pegged to USD. The fluctuation in exchange rates against Euro and other currencies is monitored on a continuous basis.

22 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

FAIR VALUE MEASUREMENT

The Company measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.



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ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

22 SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such cost includes the cost of replacing parts of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture and fixtures 4 years
- Office equipment 3 years
- Forklift 4 years
- Vehicles 4 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2017, the date of inception is deemed to be 1 January 2017 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.



ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

22 SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (Continued)

Company as a lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Company as a lessor

The gross amounts receivable under finance leases less unearned finance income are reported in the statement of financial position as a net investment in finance lease. Finance income is recognized in other income in the statement of profit or loss.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU 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 pre-tax 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Such reversal is recognised in the statement of profit or loss.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.



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ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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22 SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and other receivables

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to the statutory reserve until the reserve equals 30% of capital. The reserve is not available for distribution as dividends.



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ECU LINE SAUDI ARABIA

(A Saudi Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

EMPLOYEE TERMINATION BENEFITS

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.



22 SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Freight and related income

Freight and related income is recognized upon delivery of shipment to the customer as the sales process is considered complete and the control is transferred to the customer that performance obligation is satisfied.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

RENTAL INCOME

The company provides warehouse storage services to its customers on the port. The income from storage services meets the definition of operating lease under IAS - 17. Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

EXPENSES

Expenses related to operations are allocated on a consistent basis to cost of revenue and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the company.

ZAKAT AND TAX

Zakat

The Company provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the statement of profit or loss.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to GAZT.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Uncertain zakat and tax positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

DIVIDENDS

Dividend are recognized as a liability at the time of their approval by the shareholders.



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ECU LINE SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

23 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transaction Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is still in the process of assessing the potential effect of IFRS 16 on its financial statements.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

24 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Company's board of directors on 16 Shabaan 1440 H corresponding to 21 April 2019.

