

ECU LINE SAUDI ARABIA LLC
(A Limited Liability Company)

FINANCIAL STATEMENTS

31 DECEMBER 2019

ECU LINE SAUDI ARABIA LLC
FINANCIAL STATEMENTS
For the year ended 31 December 2019

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INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF ECU LINE SAUDI ARABIA LLC

Opinion

We have audited the financial statements of ECU LINE Saudi Arabia LLC ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other 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 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the separate 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.

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 April 2019 (corresponding to 16 Sha'ban 1440H).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's Articles of Association, 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.

Those charged with governance are 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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 PARTNERS OF ECU LINE SAUDI ARABIA LLC (continued)**

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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 control.
- 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 those charged with governance 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.

for Ernst & Young



Ahmed I. Reda
Certified Public Accountant
License No. 356

8 Sha'ban 1441H
1 April 2020

Jeddah

20/53/AJ



ECU LINE SAUDI ARABIA LLC
 STATEMENT OF FINANCIAL POSITION
 As at 31 December 2019

	<i>Note</i>	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	378,271	206,928
Deferred tax asset, net	6	672,260	444,381
TOTAL NON-CURRENT ASSETS		1,050,531	651,309
CURRENT ASSETS			
Trade receivables	7	15,024,757	9,706,956
Prepayments and other receivables	8	3,493,019	3,683,649
Cash and bank balances	9	5,435,986	3,040,936
TOTAL CURRENT ASSETS		23,953,762	16,431,541
TOTAL ASSETS		25,004,293	17,082,850
EQUITY AND LIABILITIES			
EQUITY			
Capital	10	1,350,000	1,350,000
Statutory reserve		512,766	512,766
Retained earnings		5,612,594	6,688,389
TOTAL EQUITY		7,475,360	8,551,155
NON-CURRENT LIABILITY			
Employees' defined benefit liabilities	13	2,473,146	2,092,202
CURRENT LIABILITIES			
Accounts payable	14	11,032,760	2,760,831
Accrued expenses and other payables	15	2,912,301	2,569,904
Zakat and income tax payable	16	1,110,726	1,108,758
TOTAL CURRENT LIABILITIES		15,055,787	6,439,493
TOTAL LIABILITIES		17,528,933	8,531,695
TOTAL EQUITY AND LIABILITIES		25,004,293	17,082,850

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Note</i>	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Revenue from contracts with customers	17	90,362,893	72,073,695
Rental income		4,229,115	5,669,183
Total revenue		94,592,008	77,742,878
Cost of revenue		(77,360,602)	(63,021,272)
Gross profit		17,231,406	14,721,606
General and administrative expenses	18	(11,109,713)	(7,455,480)
Operating profit		6,121,693	7,266,126
Finance costs		(69,509)	(61,207)
Other (expenses) / income	19	(45,529)	142,981
Profit before zakat and income tax		6,006,655	7,347,900
Zakat	16	(95,508)	(93,249)
Income tax			
- Current	16	(1,060,244)	(1,060,422)
- Deferred	6	227,418	(26,236)
NET PROFIT FOR THE YEAR		5,078,321	6,167,993
OTHER COMPREHENSIVE (LOSS) / INCOME			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent years (net of tax):</i>			
Re-measurement loss on employees' defined benefits liabilities	13	(3,291)	(19,427)
Related deferred tax	6	461	2,720
		(2,830)	(16,707)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,075,491	6,151,286

The attached notes 1 to 26 form part of these financial statements.

ECU LINE SAUDI ARABIA LLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance as at 1 January 2018	1,350,000	512,766	2,777,492	4,640,258
Net profit for the year	-	-	6,167,993	6,167,993
Other comprehensive loss for the year	-	-	(16,707)	(16,707)
Total comprehensive income for the year	-	-	6,151,286	6,151,286
Cash dividend (note 11)	-	-	(2,240,389)	(2,240,389)
Balance as at 31 December 2018	1,350,000	512,766	6,688,389	8,551,155
Net profit for the year	-	-	5,078,321	5,078,321
Other comprehensive loss for the year	-	-	(2,830)	(2,830)
Total comprehensive income for the year	-	-	5,075,491	5,075,491
Cash dividend (note 11)	-	-	(6,151,286)	(6,151,286)
Balance at 31 December 2019	1,350,000	512,766	5,612,594	7,475,360

The attached notes 1 to 26 form part of these financial statements.

ECU LINE SAUDI ARABIA LLC
 STATEMENT OF CASH FLOWS
 For the year ended 31 December 2019

	<i>Note</i>	2019 SR	2018 SR
OPERATING ACTIVITIES			
Profit before tax		6,006,655	7,347,900
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation	18	1,582,805	138,140
Employee termination benefits incurred	13	633,659	445,028
Allowance for expected credit loss	7(a)	832,371	211,595
Finance costs		69,509	61,207
Cash flow before working capital changes		9,124,999	8,203,870
Working capital adjustments:			
Trade receivables		(6,150,172)	100,699
Prepayments and other receivables		(70,750)	3,619,816
Accounts payable		8,271,929	(6,010,025)
Accrued expenses and other payables		(1,169,889)	(4,255,203)
Cash generated from operations		10,006,117	1,659,157
Employees' defined benefit liabilities paid	13	(256,019)	(70,623)
Financial charges		(69,509)	(61,207)
Income tax paid	16	(1,153,784)	(639,970)
Net cash flows from operating activities		8,526,805	887,357
INVESTING ACTIVITY			
Purchase of property and equipment	5	(92,535)	(45,697)
Cash flows used in investing activity		(92,535)	(45,697)
FINANCING ACTIVITIES			
Dividends paid	11	(4,353,243)	(2,240,389)
Lease payment		(1,685,977)	-
Cash flows used in financing activities		(6,039,220)	(2,240,389)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2,395,050	(1,398,729)
Cash and cash equivalents at the beginning of the year	9	3,040,936	4,439,665
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	5,435,986	3,040,936

The attached notes 1 to 26 form part of these financial statements.

ECU LINE SAUDI ARABIA LLC
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2019

1 COMPANY INFORMATION

ECU LINE Saudi Arabia LLC (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:

No.	Branch location	Serial No.	Dated
1	Dammam	2050102137	3 Muharram 1435 (06 November 2013)
2	Riyadh	1010947257	24 Jumada Al-Akhirah 1439 (12 March 2018)

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Basis of measurement

The financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

2.4 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 risks and uncertainties includes:

- Financial instruments risk management (note 22)
- Capital management (note 12)

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Revenue from contracts with customers

Satisfaction of performance for obligation

The Company is required to assess for each of its contract with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Company assessed, based on nature of contracts with its customers that revenue from should be recognized over time of the contract.

2 BASIS OF PREPARATION (continued)**2.4 Significant accounting judgements, estimates and assumptions (continued)****Judgements (continued)****Revenue from contracts with customers (continued)***Determination of transaction prices*

The Company is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Company assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In determining the impact of variable consideration, the Company uses the “most-likely amount” method in IFRS 15 whereby the transactions price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Determining the lease term of contracts with termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to terminate. That is, it considers all relevant factors that create an economic incentive for it. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to terminate (e.g., a change in business strategy).

Amounts recognised in the statements of financial position and statement of comprehensive income:

	Statement of financial position	
	Right-of-use asset SR	Lease liabilities SR
As at 1 January 2019	1,661,613	1,685,977
Depreciation expense (note (a) below)	(1,431,758)	-
Interest expense (note (a) below)	-	28,490
Payments made	-	(1,714,467)
As at 31 December 2019	229,855	-

- a) The Company recognised depreciation expense relating to right-of-use asset and interest expense relating to lease liabilities for the year ended 31 December 2019 under “general and administrative expenses” and “finance costs”, respectively.
- b) As at 31 December 2019, right-of-use asset is recorded as part of property and equipment amounting to SR 229,855 while lease liabilities have been classified under “accrued expenses and other payable” amounting to nil.

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. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for expected credit losses (“ECLs”) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company’s historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking 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 customers’ actual default in the future. The information about the ECLs on the Company’s trade receivables is disclosed in note 22.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cashflow (“DCF”) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit (“CGU”) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 13.

Provisions

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Recoverability of deferred tax asset

The Company is required by IAS 12 to assess that it will have sufficient taxable profit in the future to realize its deferred tax asset. The Company makes budget and other assessment to evaluate that it will be generating sufficient taxable profit in the future to realize its deferred tax asset.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1. 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 asset or liabilities are classified as non-current.

3.2. 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2. Fair value measurement (continued)

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

3.3. 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.

3.4. 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 recognizes 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
- Vehicle 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.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3.5. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Lease liabilities (continued)

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.6. 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, or when annual impairment testing for an asset is required, 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. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When 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.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis

3.7. Financial assets

Initial recognition and measurement

Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income ("OCI") or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that Company commits to purchase or sell the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 statement of profit or loss when the asset is derecognised, modified or impaired.

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

Financial assets at fair value through OCI ("FVOCI") (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Company does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI ("FVOCI") (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Company does not have any equity instruments at fair value through OCI.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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 assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. 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.

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

3.9. 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 there reserve equals 30% of capital. The reserve is not available for distribution as dividends.

3.10. 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.

3.11. Employee termination benefits

The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. This benefit is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other profit or loss and other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'general and administrative expenses' in the statement of profit or loss and other comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

3.12. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, 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. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss.

Borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing 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.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.13. Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Trade receivable

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).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Revenue recognition

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

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.

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 IFRS - 16. Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

3.15. Zakat and tax

Zakat

Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. Zakat provision is charged to the statement of comprehensive income. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which settlement is finalised.

Income tax

Income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of comprehensive income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases and liabilities and their carrying amounts for the financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised.

The carrying amount of deferred tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset/liability to be utilised. Unrecognised deferred tax assets/liabilities are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered and deferred tax liability to be settled.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Withholding tax

The Company withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

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

3.16. Dividends

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**3.17. Changes in accounting policies and disclosures**

Effective 1 January 2019, the Company has adopted IFRS 16 “Leases” for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	1 January 2019 SR
Assets	
Right of use assets classified under ‘property and equipment’	1,661,613
Prepayments and other receivables	(245,148)
Total assets	<u>1,416,465</u>
Liabilities	
Accrued and other liabilities *	1,416,465
Total liabilities	<u>1,416,465</u>

* Lease liabilities net of accrued rent.

The Company has lease contracts for various warehouses and before adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased warehouse was not capitalised and the lease payments were recognised as rent expense in statement of profit or loss and comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under “Prepayments and other receivables” and “Accrued expenses and other payables liabilities”, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.17. Changes in accounting policies and disclosures (continued)*****IFRS 16 Leases (continued)***

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of SR 1,662 thousands were recognized and presented within property and equipment in the statement of financial position;
- Lease liabilities of SR 1,416 thousands million were recognized and presented in "Accrued expenses and other payables" in the statement of financial position;
- Prepayments of SR 245 thousands were derecognized.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>SR</i>
Operating leases as of 31 December 2018	1,714,467
Weighted average incremental borrowing rate as at 1 January 2019	5%
	1,685,977
Discounted operating lease commitments at 1 January 2019	1,685,977
<i>Less:</i>	
Commitments relating to short-term leases	-
Lease liabilities as at 1 January 2019	1,685,977

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the year.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Changes in accounting policies and disclosures (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures (continued)

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

These improvements include:

IFRS 3 Business Combinations - The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments have no impact on the Company.

IFRS 11 Joint Arrangements - A entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 23 Borrowing Costs - The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. These amendments are not applicable to the Company.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

4.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

4.1 IFRS 17 Insurance Contracts (continued)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

4.2 Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Companies are required to apply the amended definition of a business to acquisitions that occur on or after 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

4.3 Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020, with early application permitted. The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

4.4 Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments apply to annual periods beginning on or after 1 January 2020 and must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. These amendments are not applicable to the Company.

At 31 December 2019

5 PROPERTY AND EQUIPMENT

	<i>Furnitures & fixtures SR</i>	<i>Office equipment SR</i>	<i>Forklift SR</i>	<i>Vehicles SR</i>	<i>Right-of-use asset SR</i>	<i>Total SR</i>
Cost:						
At 1 January 2018	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
Additions	63,525	29,010	-	-	1,661,613	1,754,148
At 31 December 2019	883,814	479,975	267,916	282,295	1,661,613	3,575,613
Accumulated depreciation:						
At 1 January 2018	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
Charge for the year	127,338	23,709	-	-	1,431,758	1,582,805
At 31 December 2019	760,205	455,170	267,915	282,294	1,431,758	3,197,342
Net book value:						
At 31 December 2019	123,609	24,805	1	1	229,855	378,271
At 31 December 2018	187,422	19,504	1	1	-	206,928

6 DEFERRED TAX ASSETS, NET

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
As at 1 January	444,381	467,897
Deferred tax credit / (charge) during the year recognised in statement of profit or loss	227,418	(26,236)
Deferred tax credit to other comprehensive income	461	2,720
As at 31 December	672,260	444,381

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

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Employee termination benefits	53,330	292,908
Allowance for expected credit losses	116,532	97,375
Accelerated depreciation on property and equipment	502,398	(6,790)
Provision for projects	-	60,888
	672,260	444,381

At 31 December 2019

7 TRADE RECEIVABLES

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Accounts receivable - third parties	16,420,616	10,207,965
Amounts due from related parties (note 20)	237,073	299,552
	16,657,689	10,507,517
Less: allowance for expected credit loss (note (a))	(1,632,932)	(800,561)
	15,024,757	9,706,956

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

a) Movement in the allowance for expected credit losses of receivables is as follows:

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
As at 1 January	800,561	588,966
Charge for the year (note 18)	832,371	211,595
As at 31 December	1,632,932	800,561

8 PREPAYMENTS AND OTHER RECEIVABLES

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Refundable deposits	2,083,702	1,895,253
Prepaid expenses	85,263	843,764
Receivables from employees	378,623	347,455
Advance payment to supplier	753,522	294,954
Contract assets	127,659	82,044
Other	64,250	220,179
	3,493,019	3,683,649

9 CASH AND BANK BALANCES

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Cash in hand	191,800	158,028
Cash at bank	5,244,186	2,882,908
	5,435,986	3,040,936

At 31 December 2019

10 CAPITAL

The capital of the Company as at 31 December 2019 comprised 135,000 shares stated at SR 10 per share (2018: 135,000) and is distributed as follows:

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

11 DIVIDENDS

During 2019, dividend of SR 6,151,286 relating to 2018 was declared, out of which SR 4,353,243 was paid (2018: SR 2,240,389, relating to 2017). The remaining balance is included in "accrued expenses and other payables" (note 15).

12 CAPITAL MANAGEMENT

For the purpose of capital management, capital includes capital, statutory reserve and all other equity reserves attributable to the partners 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 partners.

13 EMPLOYEES' DEFINED BENEFIT LIABILITIES

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

	<i>31 December</i> <i>2019</i> SR	<i>31 December</i> <i>2018</i> SR
As at 1 January	2,092,215	1,698,370
<i>Included in statement of profit or loss</i>		
Current service cost	522,224	355,043
Interest cost	111,435	89,985
	633,659	445,028
<i>Included in statement of other comprehensive income</i>		
Actuarial loss	3,291	19,427
Benefits paid	(256,019)	(70,623)
As at 31 December	2,473,146	2,092,202

The following were the principal actuarial assumptions applied at the reporting date:

	<i>31 December</i> <i>2019</i>	<i>31 December</i> <i>2018</i>
Discount factor used	5.44%	5.80%
Salary increase rate	4.25%	4.25%
Rates of employee turnover	Moderate	Moderate

At 31 December 2019

13 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Discount rate:		
+1% increase	2,282,708	1,943,161
-1% decrease	2,693,747	2,264,858
Salary increase rate:		
+1% increase	2,681,471	2,265,823
-1% decrease	2,289,841	1,939,717

14 ACCOUNTS PAYABLE

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Accounts payable - third parties	3,154,078	1,531,686
Accounts payable - related parties (note 20)	7,878,682	1,229,145
	<u>11,032,760</u>	<u>2,760,831</u>

15 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Accrued expenses	800,802	2,262,817
Advances from customers	313,456	307,087
Dividend payable (note 11)	1,798,043	-
	<u>2,912,301</u>	<u>2,569,904</u>

16 ZAKAT AND INCOME TAX**Basis for Zakat and income tax:**

The Company is subject to zakat and income tax. Zakat is payable on higher of adjusted profit or the zakat base. Zakat is applicable at 2.5% on adjusted profit & 2.578% on zakat base. 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.

At 31 December 2019

16 ZAKAT AND INCOME TAX (continued)

Movement in current zakat and income tax provision for the year is as follows:

	<i>2019</i>			<i>2018</i>
	<i>Zakat</i>	<i>Income</i>	<i>Total</i>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
As at 1 January	71,153	1,037,605	1,108,758	595,057
Charge for the year	95,508	1,060,244	1,155,752	1,153,671
Payments made during the year	(93,255)	(1,060,529)	(1,153,784)	(639,970)
As at 31 December	73,406	1,037,320	1,110,726	1,108,758

Status of assessment

During the year ended 31 December 2019, the General Authority of Zakat and Income Tax (GAZT) issued an assessment for the years 2015 and 2017 showing an additional liability of SAR 6,661 and SAR 187,860 respectively. The Company has settled the above additional liabilities under protest.

Subsequent to the year ended 31 December 2019, the GAZT has issued an assessment for the year ended 31 December 2018 showing an additional income tax, zakat and withholding tax liability of SAR 221,301. The Company has also settled the above additional liability under protest.

The Company has already filed the final declarations for the period/year ended 31 December 2012 through 2014 and 2016. The assessments for these years are still under review by the GAZT.

17 REVENUE FROM CONTRACTS WITH CUSTOMERS**Segments**

	<i>2019</i>	<i>2018</i>
	<i>SR</i>	<i>SR</i>
Type of services		
Air freight and related income	7,591,054	7,272,628
Ocean freight and related income	82,771,839	64,801,067
Total revenue from contracts with customers	90,362,893	72,073,695

Geographical markets

	<i>2019</i>	<i>2018</i>
	<i>SR</i>	<i>SR</i>
Central region	44,679,812	31,130,585
Western region	12,896,761	21,617,911
Eastern region	27,336,110	11,673,634
Exports	5,450,210	7,651,565
Total revenue from contracts with customers	90,362,893	72,073,695

At 31 December 2019

18 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2019</i>	<i>2018</i>
	<i>SR</i>	<i>SR</i>
Employee benefits	5,779,006	4,607,097
Depreciation on right-to-use assets (note 5)	1,431,758	-
Insurance	558,375	361,845
Consultancy fees	343,962	705,381
Traveling and transportation	235,757	260,723
Rent expense	876,433	347,496
Government fees	181,779	91,603
Telephone and internet charges	205,861	207,866
Allowance for expected credit loss (note 7 (a))	832,371	211,595
Management fees	159,732	166,890
Maintenance charges	249,324	255,817
Depreciation	151,047	138,140
Others	104,308	101,027
	11,109,713	7,455,480

19 OTHER (EXPENSES) / INCOME

	<i>2019</i>	<i>2018</i>
	<i>SR</i>	<i>SR</i>
Reversal of old liabilities	-	311,833
Foreign exchange loss	(45,529)	(168,852)
	(45,529)	142,981

20 RELATED PARTY TRANSACTIONS AND BALANCES

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

	<i>31 December</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>SR</i>	<i>SR</i>
Management fee		
EcuHold NV	159,732	166,890
Trade (Sales)		
Ecu-Line Middle East	586,104	56,949
Ecu-Line U.K.	36,695	72,508
Ecu-Line Germany	29,575	58,419
Ecu-Line Spain	-	15,364
Ecu-Line Italy	5,495	22,106
Ecu-Line N.V.	78,516	9,750

At 31 December 2019

20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Trade (Purchases)		
Ecu-Line U.K.	556,894	552,909
Ecu-Line Middle East	1,026,268	1,598,544
Ecu-Line Spain	101,487	53,150
Ecu-Line Italy	221,211	408,115
Ecu-Line Germany	421,649	365,983
Ecu-Line N.V.	364,696	249,665
Ecu-Line Turkey	253,780	70,265
Key management personnel		
Salaries and other benefits	1,086,851	1,070,337
End of service benefits	529,718	454,118

The above transactions resulted in the following balances at year end:

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

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
FCL Marine Agencies GmbH	41,482	282
ECU Worldwide (UK) Limited	37,764	19,654
ECU Line Middle East LLC	34,032	12,587
Allcargo Logistics Limited	32,335	82,633
Ecu Logistics do Brasil Ltda	16,124	19,583
Ecu-Hold N.V.	13,014	10,495
Others	62,322	154,318
	<u>237,073</u>	<u>299,552</u>

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

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
ECU Worldwide China Ltd.	4,345,194	20,567
ECU Worldwide (Guangzhou) Ltd	729,579	404,215
ECU Line Middle East LLC	447,641	166,629
ECU Worldwide Vietnam Co. Ltd	373,297	-
ECU Worldwide (Belgium) NV	334,524	45,621
ECU Worldwide (UK) Limited	249,269	77,655
ECU Worldwide (Germany) GmbH	219,721	25,831
Ecu-line Rotterdam B.V.	190,256	18,481
Ecu Worldwide USA	170,031	244,661
Others	819,170	225,485
	<u>7,878,682</u>	<u>1,229,145</u>

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

At 31 December 2019

21 FINANCIAL INSTRUMENTS**21.1 Financial assets measured at amortized cost**

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Trade receivable	15,024,757	9,706,956
Other receivables	2,654,234	2,544,931
Cash and bank balances	5,435,986	3,040,936
	23,114,977	15,292,823

21.2 Financial liabilities measured at amortized cost

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
Accounts payable	11,032,760	2,760,831
Accrued expenses and other payables	2,598,845	1,827,903
	13,631,605	4,588,734

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities are accounts payable and accrued expenses. The Company's principal financial assets include accounts receivable, other receivables, and cash and bank balances that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and the Company's risk appetite.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and currency risk, explained as follows:

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is not exposed to interest rate risk as the Company does not have any interest bearing assets and liabilities as at 31 December 2019 (31 December 2018: SR Nil).

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year ended 31 December 2019 and 31 December 2018, the Company did not undertake significant transactions in currencies other than Saudi Riyals, Euro and US Dollars. Since Saudi Riyal is pegged to US Dollar, the Company is not exposed to any significant currency risk at year end.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily on trade and other receivables) and on its cash at bank balances:

At 31 December 2019

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)***i) Trade and other receivables*

Credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

As at 31 December 2019, the Company's top 5 customers owed more than 40% of outstanding accounts receivable (2018: 44%).

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses. 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. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	<i>31 December 2019</i>							
	<i>< 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>91-120 days</i>	<i>121-180 days</i>	<i>181-365 days</i>	<i>> 365 days</i>	<i>Total</i>
Expected credit loss rate	3.09%	6.59%	6.94%	6.58%	8.00%	26.00%	100.00%	
	SR	SR	SR	SR	SR	SR	SR	SR
Estimated total gross carrying amount at default	13,746,451	473,406	612,223	260,020	370,394	145,187	1,050,008	16,657,689
Expected credit loss	424,754	31,196	42,475	17,120	29,631	37,748	1,050,008	1,632,932

ii) Cash at bank balance

With regards to credit risk arising out of cash at bank balances, the Company manages its credit risk by depositing its cash with reputable banks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity requirements are monitored on a regular basis and the Company's management ensures that sufficient funds are available to meet any commitments as they arise.

At 31 December 2019 and 31 December 2018, all of the entity's financial liabilities were contractually due and payable within 3 months of the year-end.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	<i>2019</i>	<i>2018</i>
	SR	SR
As at 31 December 2019		
Accounts payable	11,032,760	2,760,831
Accrued expenses and other payables	2,598,845	2,262,817
	13,631,605	5,023,648

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The fair values of financial instruments are not materially different from their carrying values. The management assessed that cash and cash equivalents, trade and other receivables, and other current assets, and liabilities – trade and other payables, and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments, and are measured using amortized cost method.

There were no transfers between Level 1, Level 2 and Level 3 during the years.

24 COMPARATIVE FIGURES

Certain comparative figures have been reclassified and regrouped to conform with the current year's presentation.

25 SUBSEQUENT EVENT

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of Covid-19 has had an impact on demand for oil and petroleum products. Recent global developments in March 2020 have caused further volatility in commodity markets.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

Risk Factors

Our operations, cash flows and financial condition could be negatively affected due to the following:

- if employees are quarantined as the result of exposure to COVID 19, this could result in disruption of operations, trade restrictions and impact on economic activity.
- similarly, travel restrictions or operational issues resulting from the rapid spread of COVID 19 in KSA may have a material adverse effect on our business and results of operations.
- continued decline in oil prices could have an impact, including reduced government spending, In the primary economy in which we operate in.

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Company's board of directors on 1 April 2020, corresponding to 8 Sha'ban 1441 H.