ARAB INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY S.A.L.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2016

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ARAB INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY S.A.L.
STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Current Assets:			
Cash, banks and financial institutions	5	7,142,082	7,233,071
Accounts receivable	6	-	35,560
Prepayments and other assets	7	28,725	54,202
Total current assets		7,170,807	7,322,833
Non-Current Assets:			
Property and equipment	8	1,456,449	1,509,234
Total Assets		8,627,256	8,832,067
LIABILITIES			
Current Liabilities:			
Credit balance with omnibus accounts	21	-	35,560
Due to shareholders		36,182	45,362
Accrued charges and other liabilities	9	70,679	289,990
Total current liabilities		106,861	370,912
Non-Current Liabilities:			
Provisions	10	430,588	464,262
Total liabilities		537,449	835,174
EQUITY			
Capital	11	7,500,000	7,500,000
Revaluation surplus	12	42,429	42,429
Legal reserve	13	320,535	319,122
Retained Earnings		131,808	121,209
Profit for the year		95,035	14,133
Total equity		8,089,807	7,996,893
Total Liabilities and Equity		8,627,256	8,832,067
OFF BALANCE SHEET ACCOUNTS			
Customers' accounts at fair value	21	6,221,890	7,744,872

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Deloitte.

Deloitte & Touche
Arabia House
131 Phœnicia Street
Ain Mreisseh, Beirut
P.O.Box 11-961
Lebanon

Tel: +961 (0) 1 364 700
Tel: +961 (0) 1 364 701
Fax: +961 (0) 1 367 087
Fax: +961 (0) 1 369 820
www.deloitte.com

BT 32047/DTT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Arab International Development and
Investment Company S.A.L.
Beirut, Lebanon

Qualified Opinion

We have audited the accompanying financial statements of Arab International Development and Investment Company S.A.L. (the "Company"), which comprise the statement of financial position as at December 31, 2016, 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, except for the possible effect of the matter discussed in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Customers' cash omnibus accounts in the off-balance sheet include LBP3.5billion of bank borrowings of which LBP2.56illion are margin accounts that are financed by the Company on behalf of clients through bank borrowings. According to IFRS these borrowings should be recorded as liability in the statement of position with a corresponding debit to customer accounts and cash at banks and financial institutions in the amount of LBP2.56billion and LBP970million respectively.

We conducted our audit in accordance with International Standards on Auditing (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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the *Code of Ethics of the Lebanese Association of Certified Public Accountants* 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 qualified opinion.

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 IFRSs, 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 ISAs and within the framework of the existing banking laws in Lebanon 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.

- 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.

Beirut, Lebanon
June 19, 2017

Deloitte & Touche

ARAB INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY S.A.L.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2016 LBP'000	Year Ended December 31, 2015 LBP'000
Service fees and brokerage commission revenue	14	1,547,969	1,885,782
Commissions and other financial charges	15	(366,734)	(802,735)
		1,181,235	1,083,047
Employees' benefits		(565,415)	(593,552)
General and administrative expenses	16	(364,467)	(437,186)
Loss on exchange, net		(4,204)	(18,024)
Interest income	17	139,087	368,890
Interest expense	18	(491,433)	(784,761)
Other income	19	200,232	395,719
		(1,086,200)	(1,068,914)
Profit before income tax		95,035	14,133
Less: Provision for income tax	9	-	-
Net profit for the year		95,035	14,133
Other comprehensive income		-	-
Total comprehensive income		95,035	14,133

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

ARAB INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY S.A.L.
STATEMENT OF CHANGES IN EQUITY

	Notes	Capital LBP'000	Revaluation Surplus LBP'000	Legal Reserve LBP'000	Retained Earnings LBP'000	Profit for the Year LBP'000	Total LBP'000
Balance as at January 1, 2015		7,500,000	42,429	317,249	107,167	18,728	7,985,573
Allocation of 2014 income		-	-	1,873	16,855	(18,728)	-
Total comprehensive income for 2015		-	-	-	-	14,133	14,133
Income tax related to year 2014	10	-	-	-	(2,813)	-	(2,813)
Balance as at December 31, 2015		7,500,000	42,429	319,122	121,209	14,133	7,996,893
Allocation of 2015 income		-	-	1,413	12,720	(14,133)	-
Total comprehensive income for 2016		-	-	-	-	95,035	95,035
Income tax related to year 2015	10	-	-	-	(2,121)	-	(2,121)
Income tax related to year 2016		7,500,000	42,429	320,535	131,808	95,035	8,089,807

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

ARAB INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY S.A.L.
STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2016 LBP'000	Year Ended December 31, 2015 LBP'000
Cash flows from operating activities:			
Profit for the year		95,035	14,133
Adjustments:			
Depreciation	8	52,785	63,500
Provision for end-of-service indemnity	10	3,258	5,074
Write-back of accrued charges	19	(200,232)	-
Decrease in accounts receivable		35,560	684,185
Decrease in prepayments and other assets		25,477	8,970
Decrease in credit balance with omnibus accounts		(35,560)	(226,283)
Decrease in accrued charged and other liabilities		(19,079)	(39,859)
Settlements of end-of-service indemnity	10	(36,932)	(57,374)
Income tax paid		(2,121)	(2,813)
Net cash (used in)/generated from operating activities		(79,688)	449,533
Cash flows from financing activities:			
Decrease in due to shareholders		(9,180)	(10,699)
Net cash used in financing activities		(9,180)	(10,699)
Net (decrease)/increase in cash and cash equivalents		(90,989)	438,834
Cash and cash equivalents -- beginning of year		7,233,071	6,794,237
Cash and cash equivalents -- end of year	20	7,142,082	7,233,071

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

ARAB INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY S.A.L.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

1. COMPANY'S ACTIVITIES AND ORGANIZATION

The Company is a joint stock Company established on March 3, 1979 and registered under No. 39364 in the commercial register. The Central Bank of Lebanon licensed the Company as a brokerage firm under decision # 6213 dated June 28, 1996.

The Company's objective is to render brokerage and financial services in respect of stock/forex exchange transactions in Lebanon and abroad.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*: Bearer Plants
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>**New and revised IFRSs**</u>	**Effective for Annual Periods <u>Beginning on or After</u>**
Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	January 1, 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018

New and Revised IFRSs	Effective for Annual Periods Beginning on or After
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018
IFRS 9 *Financial Instruments* (revised versions in 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	January 1, 2018

New and Revised IFRSs	Effective for Annual Periods Beginning on or After

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

New and Revised IFRSs	Effective for Annual Periods Beginning on or After
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	
Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
IFRS 16 *Leases*	January 1, 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Except for IFRS 9 on the provisioning for impairment, the Directors of the Company do not anticipate that the application of these amendments will have a significant effect on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared on the historical cost basis with the exception of office apartment stated at revalued amount.

The significant accounting policies adopted are set out below:

A. Accounts Receivable:

Accounts receivable are stated at their nominal value, as reduced by appropriate provision for estimated non-recoverable amounts. Provision is set up against accounts receivable when considered doubtful.

B. Foreign Currencies:

Transactions during the year, including revenues and expenses, denominated in foreign currencies are translated into Lebanese Pounds using the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated into Lebanese Pounds at the exchange rates prevailing at the reporting date. Resulting translation gains and losses are included in the statement of profit or loss.

C. Property and Equipment:

Office apartment is stated in the statement of financial position at revalued amounts, less accumulated depreciation and impairment in value, if any. Other property and equipment items are stated in the statement of financial position at their historical cost less accumulated depreciation and impairment loss, if any.

Depreciation is provided for over the estimated useful life of the related asset using the straight-line method based on the following annual depreciation rates:

	Depreciation Rate %
Office building and office renovation	2%
Furniture and fixtures	7.5-15%
Office and computer equipment	15%
General Installations	10%
Motorcycle	20%

D. Financial Instruments – Clients' Accounts:

Financial instruments clients' accounts are recognized on the trade date. They are initially measured at cost, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivatives are included as appreciation (depreciation) in the clients' accounts. Fair value is determined by reference to quoted market prices.

E. Employees' End-of Service Indemnities:

Provision for employees' end-of-service indemnities is provided for in accordance with the applicable labor law and Social Security regulations in Lebanon.

F. Financial Services Fees:

Financial services fees are recognized after the related transactions are fully accomplished.

G. Revenue and Expense Recognition:

Fees and commissions income are recognized as the related services are performed.

Interest income and expense are recognized on the accrued basis.

H. Income Tax:

Income tax expense is the tax currently payable. Income tax is determined and provided for in accordance with the tax prevailing laws.

Current Tax

Current tax payable is calculated based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the financial position date.

Interest income on cash at bank accounts in Lebanese banks is subject to withholding tax by the correspondent bank, and deducted at year end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision expense.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5. BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2016	2015
	LBP'000	LBP'000
Cash on hand	5,392	1,853
Current accounts with banks	61,043	125,564
Current accounts with correspondent financial institutions	516,352	673,448
	582,787	800,865
Term placements with banks	6,559,295	6,432,206
	7,142,082	7,233,071

Maturities of term placements as at December 31:

	2016			
	Balance in LBP		Balance in F/Cy	
Maturity	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
First quarter 2017	5,108,564	6	1,450,731	6

	2015			
	Balance in LBP		Balance in F/Cy	
Maturity	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
First quarter 2016	5,060,188	6	1,372,018	6

6. ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Clients and brokers accounts	-	35,560
Doubtful clients	1,186,298	1,186,298
Provision against clients' accounts	(1,186,298)	(1,186,298)
	-	35,560

7. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets are composed of the following:

	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Advances to employees	28,725	54,202
Investment in a brokerage Company	61,054	61,054
Provision for decline in investment value	(61,054)	(61,054)
	28,725	54,202

8. PROPERTY AND EQUIPMENT

Property and equipment are composed of the following:

	Building and Office Renovation LBP'000	Furniture and Fixtures LBP'000	Office and Computer Equipment LBP'000	General Installation LBP'000	Vehicle LBP'000	Total LBP'000
Cost/Revalued Amount:						
Balance as at December 31 2015 and 2016	1,911,501	79,166	307,094	186,717	6,010	2,490,488
Accumulated Depreciation :						
Balance as at January 1, 2015	450,670	76,968	225,189	161,005	3,922	917,754
Additions	36,401	457	22,158	4,035	449	63,500
Balance as at December 31, 2015	487,071	77,425	247,347	165,040	4,371	981,254
Additions	38,230	64	10,142	4,035	314	52,785
Balance as at December 31, 2016	525,301	77,489	257,489	169,075	4,685	1,034,039
Net Book Value:						
December 31, 2016	1,386,200	1,677	49,605	17,642	1,325	1,456,449
December 31, 2015	1,424,430	1,741	59,747	21,677	1,639	1,509,234

9. ACCRUED CHARGES AND OTHER LIABILITIES

This caption comprises the following:

	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Taxes on non-residents	950	51,524
Withheld taxes on salaries	3,906	4,416
Accrued charges (Note 19)	40,627	211,539
Board of directors remunerations	11,462	11,462
Commission payables	6,457	2,904
Other creditors	7,277	8,145
	70,679	289,990

The Company's tax returns for the years 2012 and 2016 are still subject to review by the tax authorities. Any additional tax liability depends on the outcome of these reviews.

Income tax expense for the year 2015 amounted to LBP2.12million was computed and paid in 2016 and booked to the retained earnings (LBP2.8million for year 2014 was computed and paid in 2015 and booked to the retained earnings).

10. PROVISIONS

This caption comprises the following:

	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Provision for employees' end-of-service indemnity	102,258	135,932
Provision for contingencies	328,330	328,330
	430,588	464,262

The movement of provision for contingencies was as follows:

	2016 LBP'000	2015 LBP'000
Balance -- Beginning of year	328,330	-
Amount transferred from provision against clients' account (Note 7)	-	328,330
Balance -- End of year	328,330	328,330

The movement of provision for employees' end-of-service-indemnity was as follows:

	2016 LBP'000	2015 LBP'000
Balance -- Beginning of year	135,932	188,232
Additions during the year	3,258	5,074
Settlements	(36,932)	(57,374)
Balance -- End of year	102,258	135,932

11. CAPITAL

The Company's capital as at December 31, 2016 and 2015 amounting to LBP7,500,000,000 consists of 300,000 shares of nominal value LBP25,000 each, fully paid.

The general assembly, in its extraordinary meeting held on January 25, 2007, resolved to increase the Company's capital to LBP2,000,000,000 and change its legal status from a brokerage firm to a financial institution. This resolution was raised again by the Board of Directors in the meeting held on March 21, 2012, but this decision is still not yet executed.

12. REVALUATION SURPLUS

In 1997, the Company revalued its property which was approved by the ministry of finance on March 16, 1998. The revaluation surplus amounted to LBP984million, of which an amount of LBP942million was transferred to increase the capital as approved by the extraordinary general assembly in its meeting held on June 4, 1996.

13. LEGAL RESERVE

The legal reserve is accounted for in conformity with the requirements of the local laws and regulations and on the basis of 10% of the yearly net income. This reserve is not available for distribution.

14. SERVICE FEES AND BROKERAGE COMMISSION - REVENUE

This caption comprises the following:

	Year Ended December 31, 2016 LBP'000	2015 LBP'000
Trading and commission income from customers	502,322	1,707,635
Mark ups on trading securities	170,486	178,147
Rebates from correspondent brokers	875,161	-
	1,547,969	1,885,782

15. COMMISSIONS AND OTHER FINANCIAL CHARGES

This caption comprises the following:

	Year Ended December 31, 2016 LBP'000	2015 LBP'000
Brokers commissions	164,738	398,602
Correspondents commissions	174,820	355,010
Other trading expenses	27,176	49,123
	366,734	802,735

Commission expense for the year 2015 includes around LBP14million incurred and paid through the resigned general manager (Nil in 2016).

16. GENERAL AND ADMINISTRATIVE EXPENSES

This caption is composed of the following:

	Year Ended December 31, 2016 LBP'000	2015 LBP'000
Depreciation (Note 9)	52,785	63,500
Taxes and fiscal stamps	13,457	1,390
Rent and building services	18,408	36,350
Legal fees	51,448	49,899
Maintenance and repairs	20,901	25,086
Electricity and fuel	20,923	28,970
Entertainment	9,993	32,198
Audit and consultancy fees	46,657	44,697
Subscription	36,065	40,793
Office supplies	20,506	34,927
Cleaning expenses	19,569	21,149
Other expenses	53,755	58,227
	364,467	437,186

17. INTEREST INCOME

Interest income is compromised of the following:

	Year Ended December 31, 2016 LBP'000	2015 LBP'000
Interest income from banks	130,307	148,094
Interest income from customers	8,780	220,796
	139,087	368,890

18. INTEREST EXPENSE

This caption mainly represents interest expense on overdrafts (Note 21).

19. OTHER INCOME

2016:
Accrual changes in the amount of LBP200million outstanding from previous year are reversed to other income during 2016.

2015:
On April 2015, the landlord terminated a rent contract of the company's former office located in Beirut and received an amount of LBP396million (USD262,500).

20. CASH AND CASH EQUIVALENTS

	December 31, 2016 LBP'000	2015 LBP'000
Cash on hand	5,392	1,853
Current accounts with correspondents	577,395	799,012
Term placements with banks	6,559,295	6,432,206
Cash and cash equivalents	7,142,082	7,233,071

Term placements with banks are short term with original maturities of 90 days or less.

21. CUSTOMERS' ACCOUNTS

The Company's main activity is the provision of brokerage and financial services to third parties. In return it earns commissions in consideration of its services. To render such services to clients the Company holds client bank accounts, custody and brokerage accounts with correspondent banks and financial institutions. Securities or other financial instruments held at such accounts, by the Company on behalf of the clients, are accounted for at historical nominal values in an off-balance sheet accounts as follows:

	December 31,	
	2016	2015
	LBP'000	LBP'000
Cash on hand	9,725	60,128
Current accounts with banks and financial institutions	12,799,744	15,407,824
Due to banks and financial institutions (Note 18)	(4,648,497)	(2,922,741)
Difference of exchange	(95,153)	(96,448)
Customers' securities portfolios – omnibus account (a)	(1,843,929)	(4,703,891)
Total customers' accounts at fair value	6,221,890	7,744,872

(a) Customers' accounts are commingled in a single cash pool account and basket of financial instruments.

All future contracts outstanding at year end 2016 under customers portfolio mature during the first quarter of 2017 (future contracts outstanding at year end 2015 under customers portfolio mature during the first quarter of 2016).

For stock trading the Company's clients mainly apply contract for difference (CFD), such a contract is an equity derivative that allows investors to speculate on share price movements, without the need for ownership of the underlying shares, hence allowing investors to take long or short positions.

Client's accounts include an aggregate net asset value balance of around LBP830million relating to board members and related parties as at December 31, 2016 (LBP238million in 2015) including accounts with proxy to management.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Value 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. Consequently differences can arise between carrying values and fair value estimates.

Financial instruments are reflected in the financial statements according to their classifications, in accordance with IFRS 9.

(b) Credit Risk:

This risk is mainly associated to the Company's bank balances and receivables balances. Cash balances are mentioned with counterparty with good rating. Balances under assets are reflected at their net realizable value by the Company according to previous experience and current economic situation.

(c) Market Risk:

Market risk includes currency risk and interest rate risk:

Currency Risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange notes.

The Company is not exposed to currency risk since most of its assets and liabilities are denominated in U.S. Dollars and in Lebanese Pounds.

Interest Rate Risk
The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its interest generating assets.

(d) Liquidity Risk

Liquidity risk is the risk that a company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity approach, maintaining a healthy balance of cash, cash equivalents.

(e) Capital Risk Management

The Company manages its capital to ensure the Company's ability to continue as a going concern, while maximizing the return through the optimization of the debt and equity balance.

The Company manages the capital structure and makes the necessary revisions, in light of changes in the economics of the business and the market conditions, and the risk characteristics of operations and underlying assets. The Company's overall strategy remains unchanged from 2015.