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

FINANCIAL STATEMENTS AND AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 LBP1.5billion of bank borrowings 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 financial position with a corresponding debit to customer accounts and cash at banks and financial institutions in the amount of LBP1.5billion covered by excess margin accounts of LBP2.5billion as of December 31, 2017 held by correspondent financial institutions.

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
August 28, 2018

Deloitte & Touche

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

ASSETS	Notes	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Current Assets:			
Cash, banks and financial institutions	5	2,032,529	7,142,082
Accounts receivable	6	-	-
Prepayments and other assets	7	41,941	28,725
Total current assets		2,074,470	7,170,807
Non-Current Assets:			
Property and equipment	8	1,405,552	1,456,449
Total Assets		3,480,022	8,627,256
LIABILITIES			
Current Liabilities:			
Credit balance with omnibus accounts	21	-	-
Due to shareholders		9,539	36,182
Accrued charges and other liabilities	9	9,528	70,679
Total current liabilities		19,067	106,861
Non-Current Liabilities:			
Provisions	10	447,231	430,588
Total liabilities		466,298	537,449
EQUITY			
Capital	11	2,571,800	7,500,000
Revaluation surplus	12	42,429	42,429
Legal reserve	13	320,535	320,535
Retained Earnings		212,588	131,808
(Loss)/profit for the year		(133,628)	95,035
Total equity		3,013,724	8,089,807
Total Liabilities and Equity		3,480,022	8,627,256
OFF BALANCE SHEET ACCOUNTS			
Customers' accounts at fair value	21	3,976,374	6,221,890

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

	Notes	Year Ended December 31, 2017 LBP'000	Year Ended December 31, 2016 LBP'000
Service fees and brokerage commission revenue	14	1,055,517	1,547,969
Commissions and other financial charges	15	(142,133)	(366,734)
		913,384	1,181,235
Employees' benefits		(464,104)	(565,415)
General and administrative expenses	16	(251,783)	(364,467)
Loss on exchange, net		3,085	(4,204)
Interest income	17	137,481	139,087
Interest expense	18	(471,691)	(491,433)
Other income	19	-	200,232
		(1,047,012)	(1,086,200)
(Loss)/profit before income tax		(133,628)	95,035
Less: Provision for income tax		-	-
Net (loss)/profit for the year		(133,628)	95,035
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		(133,628)	95,035

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, 2016		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)
Balance as at December 31, 2016		7,500,000	42,429	320,535	131,808	95,035	8,089,807
Capital restructuring	11	(4,928,200)	-	-	-	-	(4,928,200)
Allocation of 2016 income		-	-	-	95,035	(95,035)	-
Total comprehensive loss for 2017		-	-	-	-	(133,628)	(133,628)
Income tax related to year 2016	10	-	-	-	(14,255)	-	(14,255)
Balance as at December 31, 2017		2,571,800	42,429	320,535	212,588	(133,628)	3,013,724

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, 2017 LBP'000	2016 LBP'000
Cash flows from operating activities:			
(Loss)/profit for the year		(133,628)	95,035
Adjustments:			
Depreciation	8	50,897	52,785
Provision for end-of-service indemnity	10	16,643	3,258
Write-back of accrued charges	19	-	(200,232)
Decrease in accounts receivable		-	35,560
(Increase)/decrease in prepayments and other assets		(13,216)	25,477
Decrease in credit balance with omnibus accounts		-	(35,560)
Decrease in accrued charged and other liabilities		(61,151)	(19,079)
Settlements of end-of-service indemnity	10	-	(36,932)
Income tax paid		(14,255)	(2,121)
Net cash used in operating activities		(154,710)	(81,809)
Cash flows from financing activities:			
Decrease in due to shareholders		(26,643)	(9,180)
Capital restructuring		(4,928,200)	-
Net cash used in financing activities		(4,954,843)	(9,180)
Net decrease in cash and cash equivalents		(5,109,553)	(90,989)
Cash and cash equivalents -- beginning of year		7,142,082	7,233,071
Cash and cash equivalents -- end of year	20	2,032,529	7,142,082

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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, 2017, have been adopted in these financial statements.

Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes (refer to Note 11).

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:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	January 1, 2018
Annual Improvements to IFRS Standards 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IFRS 12 and IAS 23	January 1, 2019
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018

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 recognises 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.

IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	January 1, 2018

New and revised IFRSs	Effective for annual periods beginning on or after
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
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 2010, 2013 and 2014)	January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. The Company early adopted IFRS 9 (version 2009) effective January 1, 2011. 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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments and all previous versions of IFRS 9 (2009, 2010 and 2013). The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new version, IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Company plans to adopt the new standard on the required effective date.

In accordance with the transition provisions of IFRS 9 (2014), the Company will apply this standard retrospectively. The changes in measures arising on initial application will be incorporated through an adjustment to opening retained earnings or reserves (as applicable) as at 1 January 2018. Although IFRS 9 will be retrospectively applied, the Company is only permitted to restate comparatives if, an only if, it is possible without the use of hindsight. The Company will not restate comparatives as it does not consider it possible to do so without the use of hindsight.

Effective for annual periods beginning on or after

New and revised IFRSs

During 2017, the Company has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

Classification and measurement

The Company has early adopted classification and measurement requirements as issued in IFRS 9 (2009) and IFRS 9 (2010). In the July 2014 publication of IFRS 9, the new measurement category FVOCI was introduced for financial assets that satisfy the contractual cash flow characteristics (SPPI test). This category is aimed at portfolio of debt instruments for which amortized cost information, as well as fair value information is relevant and useful. This will be the case if these assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

At the date of application of IFRS 9 (2014), the Company reassessed the classification and measurement category for all financial assets debt instruments that satisfy the contractual cash flow characteristics (SPPI test) and classified them within the category that is consistent with the business model for managing these financial assets on the basis of facts and circumstances that existed at that date.

The classification and measurement requirements for financial assets that are equity instruments or debt instruments that do not meet the contractual cash flow characteristics (SPPI test) and financial liabilities remain unchanged from previous versions of IFRS 9.

The Company does not expect any impact on the classification and measurement of the Company's financial assets.

New and revised IFRSs	Effective for annual periods beginning on or after

Impairment

The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current incurred loss model of IAS 39.

The ECL model contains a three-stage approach, which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Stage 1

12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months.

Stage 2

Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3

Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The expected impact on the Company's statement of financial position and equity is discussed below.

New and revised IFRSs	Effective for annual periods beginning on or after

Hedge accounting

The Company has early adopted hedge accounting requirements as issued in IFRS 9 (2013). These requirements were first published in November 2013 and remain unchanged in the July 2014 publication of IFRS 9, except to reflect the addition of the FVOCI measurement category to IFRS 9.

The Company does not expect an impact on its financial statements as the Company does not have hedged items measured at FVOCI.

In summary, the impact of IFRS 9 adoption is expected to be, as follows:

	Estimated Impact from Recognition of Expected Credit Losses LBP'000
Assets	
Cash, banks and financial institutions	(30,488)
	(30,488)
Net impact on equity	(30,488)

Furthermore, in accordance with Central Bank of Lebanon's basic circular 143 dated 7 November 2017, the Company may use certain non-distributable reserves to cover additional required stock of impairment provisions under IFRS 9.

The Company continues to refine the impairment models and related processes during 2018.

New and revised IFRSs	Effective for Annual Periods Beginning on or After
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.

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

New and revised IFRSs	Effective for Annual Periods Beginning on or After
IFRS 16 *Leases* 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.	January 1, 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.	January 1, 2021
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. Adoption is still permitted.
Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019

Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
Financial instruments: disclosures (IFRS 7) The Company will be amending the disclosures for 2018 to include more extensive qualitative and quantitative disclosure relating to IFRS 9 such as new classification categories, three stage impairment model, new hedge accounting requirements and transition provisions.	When IFRS 9 is first applied

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and except for the provisioning for impairment in IFRS 9, adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

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.

Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of the 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 end of the reporting period.

Up to October 26, 2017, part of the debt securities invested by the Company is subject to withheld tax by the issuer. This tax is 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.

During 2017, Lebanese tax amendments and new taxes and duties were issued as per Law No. 64 dated October 26, 2017. These amendments include, but are not limited to, an increase in the Lebanese corporate income tax from 15% to 17% to be applied effective on October 27, 2017 onwards. In addition, the above mentioned withheld tax by the issuer is not allowed anymore to be deducted from the annual corporate income tax amount and is considered as a deductible expense for the purpose of calculating the corporate taxable income.

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, 2017	December 31, 2016
	LBP'000	LBP'000
Cash on hand	3,376	5,392
Current accounts with banks	48,617	61,043
Current accounts with correspondent financial institutions	221,490	516,352
	273,483	582,787
Term placements with banks	1,759,046	6,559,295
	2,032,529	7,142,082

Maturities of term placements as at December 31:

	2017			
	Balance in LBP		Balance in F/Cy	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
First quarter 2018	223,759	6	1,535,287	6

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

6. ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

	December 31, 2017	December 31, 2016
	LBP'000	LBP'000
Doubtful clients	-	1,186,298
Provision against clients' accounts	-	(1,186,298)
	-	-

During 2017, the management resolved to write-off its doubtful receivables in the aggregate amount of LBP1.2billion.

7. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets are composed of the following:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Advances to employees	41,941	28,725
Investment in a brokerage Company	61,054	61,054
Provision for decline in investment value	(61,054)	(61,054)
	41,941	28,725

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 2016 and 2017	1,911,501	79,166	307,094	186,717	6,010	2,490,488
Accumulated Depreciation :						
Balance as at January 1, 2016	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
Additions	38,230	63	8,255	4,035	314	50,897
Transfers from account to account	(43,823)	1,614	27,591	13,607	1,011	-
Balance as at December 31, 2017	519,708	79,166	293,335	186,717	6,010	1,084,936
Net Book Value:						
December 31, 2017	1,391,793	-	13,759	-	-	1,405,552
December 31, 2016	1,386,200	1,677	49,605	17,642	1,325	1,456,449

9. ACCRUED CHARGES AND OTHER LIABILITIES

This caption comprises the following:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Taxes on non-residents	-	950
Withheld taxes on salaries	2,127	3,906
Accrued charges (Note 19)	-	40,627
Board of directors remunerations	-	11,462
Commission payables	-	6,457
Other creditors	7,401	7,277
	9,528	70,679

The Company's tax returns for the years 2013 and 2017 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 2016 amounted to around LBP14million was computed and paid in 2017 and booked to the retained earnings (LBP2.12million for year 2015 was computed and paid in 2016 and booked to the retained earnings).

10. PROVISIONS

This caption comprises the following:

	December 31,	
	2017	2016
	LBP'000	LBP'000
Provision for employees' end-of-service indemnity	118,901	102,258
Provision for contingencies	328,330	328,330
	447,231	430,588

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

	2017	2016
	LBP'000	LBP'000
Balance -- Beginning of year	102,258	135,932
Additions during the year	16,643	3,258
Settlements	-	(36,932)
Balance -- End of year	118,901	102,258

11. CAPITAL

The General Assembly, in its extraordinary meeting held on October 6, 2017, resolved to decrease the Company's capital from LBP7,500,000,000 to LBP2,571,800,000. The Company's capital as at December 31, 2017, consists of 154,000 shares of nominal value of LBP16,700 each, fully paid. The reduction in capital was paid in cash to the existing shareholders.

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

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,	
	2017	2016
	LBP'000	LBP'000
Trading and commission income from customers	261,220	502,322
Mark ups on trading securities	144,592	170,486
Rebates from correspondent brokers	649,705	875,161
	1,055,517	1,547,969

15. COMMISSIONS AND OTHER FINANCIAL CHARGES

This caption comprises the following:

	Year Ended December 31,	
	2017	2016
	LBP'000	LBP'000
Brokers commissions	69,383	164,738
Correspondents commissions	46,119	174,820
Other trading expenses	26,631	27,176
	142,133	366,734

16. GENERAL AND ADMINISTRATIVE EXPENSES

This caption is composed of the following:

	Year Ended December 31,	
	2017	2016
	LBP'000	LBP'000
Depreciation (Note 9)	50,897	52,785
Taxes and fiscal stamps	9,279	13,457
Rent and building services	14,020	18,408
Legal fees	49,889	51,448
Maintenance and repairs	16,980	20,901
Electricity and fuel	15,911	20,923
Entertainment	26,159	9,993
Audit and consultancy fees	-	46,657
Subscription	31,386	36,065
Office supplies	17,568	20,506
Cleaning expenses	13,189	19,569
Other expenses	6,505	53,755
	251,783	364,467

17. INTEREST INCOME

Interest income is compromised of the following:

	Year Ended December 31,	
	2017	2016
	LBP'000	LBP'000
Interest income from banks	121,103	130,307
Interest income from customers	16,378	8,780
	137,481	139,087

18. INTEREST EXPENSE

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

19. OTHER INCOME

During 2016, accrual changes in the amount of LBP200million outstanding from previous year were reversed to other income during 2016.

20. CASH AND CASH EQUIVALENTS

	December 31,	
	2017	2016
	LBP'000	LBP'000
Cash on hand	3,376	5,392
Current accounts with correspondents	270,107	577,395
Term placements with banks	1,759,046	6,559,295
Cash and cash equivalents	2,032,529	7,142,082

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,	
	2017	2016
	LBP'000	LBP'000
Cash on hand	15,946	9,725
Current accounts with banks and financial institutions	10,061,665	12,799,744
Due to banks and financial institutions (Note 18)	(2,816,146)	(4,648,497)
Difference of exchange	-	(95,153)
Customers' securities portfolios – omnibus account (a)	(3,282,091)	(1,843,929)
Total customers' accounts at fair value	3,976,374	6,221,890

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

All future contracts outstanding at year end 2017 under customers portfolio mature during the first quarter of 2018 (future contracts outstanding at year end 2016 under customers portfolio mature during the first quarter of 2017).

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 (deficit) balance of around LBP142million relating to board members and related parties as at December 31, 2017 (LBP830million in 2016) including accounts with proxy to management.