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

FINANCIAL STATEMENTS AND AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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 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
May 20, 2019

Deloitte & Touche

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

	Notes	December 31, 2018 LBP'000	December 31, 2017 LBP'000
ASSETS			
Current Assets:			
Cash, banks and financial institutions	5	2,274,816	2,032,529
Accounts receivable	6	-	-
Prepayments and other assets	7	45,589	41,941
Total current assets		2,320,405	2,074,470
Non-Current Assets:			
Property and equipment	8	1,359,066	1,405,552
Total Assets		3,679,471	3,480,022
LIABILITIES			
Current Liabilities:			
Due to shareholders		3,296	9,539
Accrued charges and other liabilities	9	88,566	9,528
Total current liabilities		91,862	19,067
Non-Current Liabilities:			
Provision for end-of-service indemnity	10	168,618	118,901
Credit balance with omnibus accounts		328,330	328,330
		496,948	447,231
Total liabilities		588,810	466,298
EQUITY			
Capital	11	2,571,800	2,571,800
Revaluation surplus	12	42,429	42,429
Legal reserve	13	320,535	320,535
Retained Earnings		34,089	212,588
Profit/(loss) for the year		121,808	(133,628)
Total equity		3,090,661	3,013,724
Total Liabilities and Equity		3,679,471	3,480,022
OFF BALANCE SHEET ACCOUNTS			
Customers' accounts at fair value	19	6,688,637	3,976,374

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, 2018 LBP'000	2017 LBP'000
Service fees and brokerage commission revenue	14	1,369,241	1,055,517
Commissions and other financial charges	15	(377,954)	(142,133)
		991,287	913,384
Employees' benefits		(515,560)	(464,104)
General and administrative expenses	16	(331,029)	(251,783)
Provision for excepted credit losses	5	(6,570)	-
Loss on exchange, net		2,954	3,085
Interest income	17	103,258	137,481
Interest expense		(122,532)	(471,691)
		(869,479)	(1,047,012)
Profit/(loss) before income tax		121,808	(133,628)
Less: Provision for income tax		-	-
Net profit/(loss) for the year		121,808	(133,628)
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		121,808	(133,628)

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, 2017		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	9	-	-	-	(14,255)	-	(14,255)
Balance as at December 31, 2017		2,571,800	42,429	320,535	212,588	(133,628)	3,013,724
Allocation of 2017 income		-	-	-	(133,628)	133,628	-
Total comprehensive income for 2018		-	-	-	-	121,808	121,808
Effect of adoption of IFRS 9	5	-	-	-	(44,871)	-	(44,871)
		2,571,800	42,429	320,535	34,089	121,808	3,090,661

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, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Cash flows from operating activities:			
Profit/(loss) for the year		121,808	(133,628)
Adjustments:			
Depreciation	8	46,486	50,897
Provision for end-of-service indemnity	10	56,112	16,643
Provision for expected credit losses	5	6,570	-
Increase in prepayments and other assets		(3,648)	(13,216)
Increase/(decrease) in accrued charged and other liabilities		79,038	(61,151)
Settlements of end-of-service indemnity	10	(6,395)	-
Income tax paid		-	(14,255)
Net cash provided by/(used in) operating activities		299,971	(154,710)
Cash flows from financing activities:			
Decrease in due to shareholders		(6,243)	(26,643)
Capital restructuring	11	-	(4,928,200)
Net cash used in financing activities		(6,243)	(4,954,843)
Net increase/(decrease) in cash and cash equivalents		293,728	(5,109,553)
Cash and cash equivalents -- beginning of year	18	2,032,529	7,142,082
Cash and cash equivalents -- end of year	18	2,326,257	2,032,529

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 that are effective for the current year

In the current year, the Company has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to the Company's operations and effective for annual reporting periods beginning on or after January 1, 2018.

IFRS 9 *Financial Instruments*:

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives and the Company has elected to apply this simplified transition approach.

Additionally, the Company adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Impact of change in classification and measurement

	Balance Under IAS 39 (December 31, 2017) LBP'000	ECL Re-Measurement LBP'000	Balance under IFRS 9 (2014) (January 1, 2018) LBP'000
Financial assets			
Deposits with banks and financial institutions	2,029,153	(44,871)	1,984,282
Net impact on equity		(44,871)	

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

The Company applied the general approach to recognize expected credit losses for its banks accounts and the simplified approach to recognize lifetime expected credit losses for its trade and other receivables as required or permitted by IFRS 9. The application of IFRS9 expected credit loss did not have a significant impact on the financial statements.

2.1.1 IFRS 15 Revenue from Contracts with Customers

In the current year, the Company applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for annual periods beginning on or after January 1, 2018. IFRS 15 superseded the previous revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

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: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue 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. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment

Based on analysis of the Company's revenue from contracts with customers for the year ended December 31, 2017, Management of the Company determined that the application of IFRS 15 had no impact on the financial statements.

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 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	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
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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

New and revised IFRSs	**Effective for Annual Periods Beginning on or After**
IFRIC 23 Uncertainty over Income Tax Treatments 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.	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 References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
Amendments to IAS 1 and IAS 8 relating to definition of material The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	January 1, 2020
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 1 January 2021.	January 1, 2021

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 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 non-derivate financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivables are disclosed at amortized cost net of provision for credit losses.

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. Interest Income and Expense:

Interest income and expense are integral to the effective interest rate on a financial asset or liability.

I. Income Tax:

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

Current tax is the expected tax payable on the taxable profit for the year, using rates enacted at the financial position date. Income tax payable is reflected in the statement of financial position net of taxes previously settled in the form of withholding tax.

J. Cash and Cash equivalents:

Cash and cash equivalents comprise balances with original contractual maturities of a period of three months.

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, the directors are required to make judgments, estimates and assumptions about the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent 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.

A. Critical accounting judgments in applying the Company's accounting policies:

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements.

Going Concern:

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company 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.

5. BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2018	2017
	LBP'000	LBP'000
Cash on hand	-	3,376
Current accounts with banks	163,716	48,617
Current accounts with correspondent financial institutions	300,799	221,490
	464,515	273,483
Term placements with banks	1,861,742	1,759,046
Provision for expected credit losses	(51,441)	-
	2,274,816	2,032,529

Maturities of term placements as at December 31:

	2018			
	Balance in LBP		Balance in F/Cy	
Maturity	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
First quarter 2019	238,516	9	1,623,226	6

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

Movement of provision for expected credit losses is as follows:

	2018 LBP'000
January 1, 2018 (Note 2)	44,871
Additions	6,570
December 31, 2018	51,441

6. ACCOUNTS RECEIVABLES

Accounts receivable are composed of the following:

	December 31,	
	2018 LBP'000	2017 LBP'000
Accounts receivables - clients	328,330	328,330
Provision for expected credit losses – Stage 3	(328,330)	(328,330)
	-	-

7. PREPAYMENTS AND OTHER ASSETS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Advances to employees	45,589	41,941
Investment in a brokerage Company	61,054	61,054
Provision for decline in investment value	(61,054)	(61,054)
	45,589	41,941

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, 2017 and 2018	1,911,501	79,166	307,094	186,717	6,010	2,490,488
Accumulated Depreciation:						
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
Additions	38,230	-	8,256	-	-	46,486
Balance as at December 31, 2018	557,938	79,166	301,591	186,717	6,010	1,131,422
Net Book Value:						
December 31, 2018	1,353,563	-	5,503	-	-	1,359,066
December 31, 2017	1,391,793	-	13,759	-	-	1,405,552

9. ACCRUED CHARGES AND OTHER LIABILITIES

This caption comprises the following:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Withheld taxes on salaries	2,676	2,127
Accrued charges	80,510	-
Other creditors	5,380	7,401
	88,566	9,528

The Company's tax returns for the years 2014 and 2018 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.

10. PROVISION FOR END-OF-SERVICE INDEMNITY

This caption comprises the following:

	December 31,	
	2018	2017
	LBP'000	LBP'000
Provision for employees' end-of-service indemnity	168,618	118,901
	168,618	118,901

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

	2018	2017
	LBP'000	LBP'000
Balance -- Beginning of year	118,901	102,258
Additions during the year	56,112	16,643
Settlements	(6,395)	-
Balance -- End of year	168,618	118,901

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, 2018 and 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.

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, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Trading and commission income from customers	1,349,671	261,220
Mark ups on trading securities	19,570	144,592
Commission income from correspondent brokers	-	649,705
	1,369,241	1,055,517

15. COMMISSIONS AND OTHER FINANCIAL CHARGES

This caption comprises the following:

	Year Ended December 31, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Brokers commissions	286,338	69,383
Correspondents commissions	68,298	46,119
Other trading expenses	23,318	26,631
	377,954	142,133

16. GENERAL AND ADMINISTRATIVE EXPENSES

This caption is composed of the following:

	Year Ended December 31, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Depreciation (Note 9)	46,485	50,897
Taxes and fiscal stamps	11,125	9,279
Building services	38,336	14,020
Legal fees	21,205	49,889
Maintenance and repairs	18,286	16,980
Electricity and fuel	18,429	15,911
Entertainment	21,406	26,159
Audit and consultancy fees	69,933	-
Subscription	32,169	31,386
Office supplies	17,264	17,568
Cleaning expenses	13,871	13,189
Penalties and fines	22,520	-
Other expenses	-	6,505
	331,029	251,783

17. INTEREST INCOME

Interest income is composed of the following:

	Year Ended December 31, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Interest income from banks	103,258	121,103
Interest income from customers	-	16,378
	103,258	137,481

18. CASH AND CASH EQUIVALENTS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Cash on hand	-	3,376
Current accounts with correspondents	464,515	270,107
Term placements with banks	1,861,742	1,759,046
Cash and cash equivalents	2,326,257	2,032,529

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

19. 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, 2018 LBP'000	December 31, 2017 LBP'000
Cash on hand	-	15,946
Current accounts with banks and financial institutions	9,253,879	10,061,665
Due to banks and financial institutions	(16,734)	(2,816,146)
Customers' securities portfolios – omnibus account (a)	(2,548,508)	(3,282,091)
Total customers' accounts at fair value	6,688,637	3,976,374

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

All future contracts outstanding at year end 2018 under customers portfolio mature during the first quarter of 2019 (future contracts outstanding at year end 2017 under customers portfolio mature during the first quarter of 2018).

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 LBP901million relating to board members and related parties as at December 31, 2018 (deficit in the amount of LBP142million in 2017) including accounts with proxy to management.

20. 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:

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income is commissions from customers and therefore credit risk is a principal risk. Credit risk mainly arises from accounts receivables from customers, and banks and financial institutions. The Company considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

(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 2017.