

**RASAMNY YOUNIS MOTOR CO. S.A.L.**  
**AND SUBSIDIARIES**

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

**RASAMNY YOUNIS MOTOR CO. S.A.L. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders  
Rasamny Younis Motor Co. S.A.L.  
Beirut, Lebanon

### ***Opinion***

We have audited the accompanying consolidated financial statements of Rasamny Younis Motor Co S.A.L. and its subsidiaries "the Group", which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated 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 consolidated Financial Statements* section of our report. We are independent of the Group 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.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

The Company has different revenue streams such as new car, used cars, spares parts, after sales service, interest income and others. The Company's customers are individuals, corporate, funds, and fleet in Lebanon and abroad. Net sales are the net of revenues from the sale of vehicles and spare parts adjusted by, returns, discounts and other credits. Revenue from product sales is recognized when risk and rewards of the underlying vehicles or spare part have been transferred to the buyer or other responsible party. We have identified revenue recognition as a key audit matter as there is a risk that revenue may be misstated due to cut-off or achievement of performance targets close to reporting date.

### How our audit addressed the key audit matter

Our testing of revenue recognition included both test of controls, as well as substantive procedures. We assessed controls regarding revenue recognition, including the timing of recognition, treatment of discounts, incentives and commissions. Furthermore, IT-related key automated controls around revenues which were assessed by our IT audit specialists in addition to the accuracy and completeness of system generated reports relating to revenue. Our substantive testing of revenue transactions included, among other things, the following: analytical procedures on margins by product type, detailed sample testing of transactions with focused emphasis on transactions occurring before and after year-end, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents. We also considered the adequacy of the Company's disclosures in respect of revenue under Notes 3 (K) and 17 to the financial statements.

### Valuation of provision for doubtful debts

Notes and accounts receivable from customers are significant to the Company given its type of operations as they represent around 30% of the Company's assets. The collectability of trade receivables is a key element of the Company's working capital management of which determining the value of provisioning required against the customers' balances entails a high degree of judgement and estimate. Accordingly, the determination of the valuation of provision for doubtful debts is considered a key audit matter.

### How our audit addressed the key audit matter

We have reviewed management's criteria of valuation and assumptions used in identifying and classifying doubtful accounts along with their related provisions. We assessed the overall reasonableness and adequacy of the provision for doubtful debts by comparing actual historical collection trends across periods in addition to subsequent collections against the allowance applied on a customer by customer basis and collectively. In doing so, we have obtained the aging of accounts receivable schedule which was assessed by our IT audit specialists for accuracy and completeness, and evaluated the sufficiency of the provisions taken against slow-moving accounts. Furthermore, we have obtained legal representations from the Company's lawyers regarding the status and outcome of any disputes and litigations between the Company and its customers and management's assessment of collectability.

We also considered the adequacy of the Company's disclosures in respect to the provisions for doubtful debts under Note 4 and 6 to the financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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 Group'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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beirut, Lebanon  
May 19, 2017

The logo for Deloitte & Touche, featuring the company name in a stylized, handwritten blue font. Below the stylized name, the words "Deloitte & Touche" are written in a smaller, standard black font.

**RASAMNY YOUNIS MOTOR CO. S.A.L. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
		<u>LBP'000</u>	<u>LBP'000</u>
<b>Current Assets:</b>			
Cash and banks	5	39,964,894	54,932,998
Notes and accounts receivable – current	6	70,082,630	70,395,832
Receivable from discontinued operations	22	-	1,007,507
Due from related parties – current	7	2,045,876	1,279,151
Inventories	8	107,669,750	82,338,221
Prepayments and other assets	9	<u>11,431,339</u>	<u>11,257,065</u>
Total current assets		<u>231,194,489</u>	<u>221,210,774</u>
<b>Non-Current Assets:</b>			
Notes and accounts receivable – non-current	6	20,444,725	28,680,111
Due from related parties – non-current	7	14,551,465	13,168,948
Investment in equity securities		477,543	477,543
Investment in associate	10	275,226	802,851
Property and equipment	11	51,581,309	49,300,033
Intangible assets		<u>549,833</u>	<u>248,333</u>
Total non-current assets		<u>87,880,101</u>	<u>92,677,819</u>
<b>Total Assets</b>		<u><b>319,074,590</b></u>	<u><b>313,888,593</b></u>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
Banks borrowings – current	-12	65,181,525	59,677,819
Liabilities under acceptances and trade payables	13	143,500,122	129,800,798
Due to related parties	7	5,017,923	5,965,692
Accrued expenses and other liabilities	14	<u>20,558,200</u>	<u>34,271,038</u>
Total current liabilities		<u>234,257,770</u>	<u>229,715,347</u>
<b>Non-Current Liabilities:</b>			
Banks borrowings – non-current	12	1,670,375	3,102,125
Provision for employees' end-of-service indemnity	15	1,507,549	1,730,323
Other non-current liabilities		-	148,187
Total non-current liabilities		<u>3,177,924</u>	<u>4,980,635</u>
<b>Total Liabilities</b>		<u><b>237,435,694</b></u>	<u><b>234,695,982</b></u>
<b><u>EQUITY</u></b>			
Capital	16	27,300,000	27,300,000
Legal reserve		9,100,000	9,100,000
Cumulative change in fair value of available-for-sale securities		40,000	40,000
Retained earnings		44,256,928	39,733,560
Profit for the year		9,171,390	9,062,905
Cumulative foreign currency translation reserve		<u>( 8,659,932)</u>	<u>( 4,881,933)</u>
Equity attributable to owners of the Group		81,208,386	80,354,532
Non-controlling interests		<u>430,510</u>	<u>( 1,161,921)</u>
Total Equity		<u>81,638,896</u>	<u>79,192,611</u>
<b>Total Liabilities and Equity</b>		<u><b>319,074,590</b></u>	<u><b>313,888,593</b></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**RASAMNY YOUNIS MOTOR CO. S.A.L. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Notes	Year Ended December 31,	
		2016 LBP'000	2015 LBP'000
Continuing Operations:			
Net Sales	17	376,265,792	345,803,505
Cost of sales	17	<u>(331,558,985)</u>	<u>(303,619,807)</u>
Gross profit		44,706,807	42,183,698
Other revenues		4,862,171	4,509,780
Gain on sale of share in associate	10	-	158,964
		<u>49,568,978</u>	<u>46,852,442</u>
General and administrative expenses	18	( 10,474,756)	( 10,816,081)
Advertising and selling expenses		( 5,719,481)	( 4,728,190)
Salaries, wages and related charges	19	( 14,232,723)	( 13,773,794)
Depreciation	11	( 3,233,103)	( 3,065,881)
Net interest expenses and financial charges	20	( 4,094,189)	( 3,184,196)
Provision for doubtful debts	6	( 4,351)	( 603,000)
Provision for slow moving inventories	8	( 296,804)	( 612,958)
Exchange gain, net		385,153	646,595
Other expenses, net		<u>( 621,961)</u>	<u>( 535,464)</u>
		<u>(38,292,215)</u>	<u>(36,672,969)</u>
Profit for the year before income tax		11,276,763	10,179,473
Income tax expense	21	<u>( 1,775,865)</u>	<u>( 1,701,692)</u>
Net profit for the year from continuing operations		<u>9,500,898</u>	<u>8,477,781</u>
Discontinued Operations:			
Operating profit for the year from discontinued operation		-	385,859
Profit for the year from discontinued operation	22	<u>-</u>	<u>385,859</u>
Profit for the year		<u>9,500,898</u>	<u>8,863,640</u>
Attributable to:			
Equity owners of the Group		9,171,390	9,062,905
Non-controlling interests		<u>329,508</u>	<u>( 199,265)</u>
		<u>9,500,898</u>	<u>8,863,640</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**RASAMNY YOUNIS MOTOR CO. S.A.L. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Profit for the year	<u>9,500,898</u>	<u>8,863,640</u>
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	( 4,966,894)	( 3,066,010)
Total other comprehensive loss	( 4,966,894)	( 3,066,010)
Total comprehensive income for the year	<u>4,534,004</u>	<u>5,797,630</u>
Attributable to:		
Equity owners of the Group	5,393,391	8,020,635
Non-controlling interests	( 859,387)	( 2,223,005)
	<u>4,534,004</u>	<u>5,797,630</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**RASAMNY YOUNIS MOTOR CO. S.A.L. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<u>Capital</u> LBP'000	<u>Legal Reserve</u> LBP'000	<u>Change in Fair Value of Available for Sale Securities</u> LBP'000	<u>Cumulative Translation Reserve</u> LBP'000	<u>Retained Earnings</u> LBP'000	<u>Attributable to Equity Holders of the Group</u> LBP'000	<u>Non-Controlling Interests</u> LBP'000	<u>Total</u> LBP'000
Balance January 1, 2015	27,300,000	9,100,000	40,000	(3,839,663)	43,421,902	76,022,239	164,823	76,187,062
Dividends declared - Note 14	-	-	-	-	( 3,767,400)	( 3,767,400)	-	( 3,767,400)
Total comprehensive income for the year	-	-	-	(1,042,270)	9,062,905	8,020,635	( 2,223,005)	5,797,630
Difference in exchange	-	-	-	-	134,909	134,909	918,170	1,053,079
Other movement	-	-	-	-	( 55,851)	( 55,851)	( 21,909)	( 77,760)
Balance December 31, 2015	<u>27,300,000</u>	<u>9,100,000</u>	<u>40,000</u>	<u>(4,881,933)</u>	<u>48,796,465</u>	<u>80,354,532</u>	<u>( 1,161,921)</u>	<u>79,192,611</u>
Dividends declared - Note 14	-	-	-	-	( 4,504,500)	( 4,504,500)	-	( 4,504,500)
Total comprehensive income for the year	-	-	-	(3,777,999)	9,171,390	5,393,391	( 859,387)	4,534,004
Effect of disposal of a subsidiary	-	-	-	-	( 699,324)	( 699,324)	2,479,905	1,780,581
Difference in exchange	-	-	-	-	664,287	664,287	( 28,087)	636,200
Balance December 31, 2016	<u>27,300,000</u>	<u>9,100,000</u>	<u>40,000</u>	<u>(8,659,932)</u>	<u>53,428,318</u>	<u>81,208,386</u>	<u>430,510</u>	<u>81,638,896</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**RASAMNY YOUNIS MOTOR CO. S.A.L. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Notes	Year Ended	
		December 31,	
		2016	2015
		LBP'000	LBP'000
Cash flows from operating activities:			
Profit for the year		9,500,898	8,863,640
Adjustments for:			
Depreciation	11	3,233,103	3,065,881
Provision for credit losses	6	4,351	603,000
Provision for employees' end-of-service indemnity	15	531,889	438,179
Provision for slow moving spare parts	8	296,804	612,958
Provision for contingencies		-	113,063
Gain on sale of investment in associate	10	-	( 158,965)
Write-off of provision for employees' end-of-service indemnity	15	( 66,369)	-
Effect of divest of a subsidiary		( 699,324)	-
Loss/(gain) on disposal of property and equipment		114,446	( 15,654)
Foreign currency translation adjustment		( 2,320,382)	( 1,012,586)
Other		<u>636,200</u>	<u>( 77,760)</u>
		11,231,616	12,431,756
Decrease/(increase) in notes and accounts receivable		9,551,744	( 15,977,580)
(Increase)/decrease in inventories		( 25,628,333)	1,243,408
Increase in prepayments and other assets		( 174,274)	( 65,488)
Increase in liabilities under acceptances and trade payables		13,699,324	21,997,562
(Decrease)/increase in accrued expenses and other liabilities		( 13,883,491)	19,076,533
Settlements of employees' end-of-service indemnity and other provisions	15	<u>( 688,294)</u>	<u>( 34,739)</u>
Net cash (used in)/provided by operating activities		<u>( 5,891,708)</u>	<u>38,671,452</u>
Cash flows from investing activities:			
Reduction of capital in an associate	10	527,625	-
Proceeds from sale of investment in associate	10	-	150,751
Proceeds from sale of investment in equity securities		-	230,082
Decrease/(increase) in cash collateral and blocked margin	5	7,751,813	( 9,462,599)
Acquisition of intangible assets		( 301,500)	-
Acquisition of property and equipment	11	( 9,360,065)	( 4,802,652)
Proceeds from sale of property and equipment		<u>1,084,728</u>	<u>436,924</u>
Net cash used in investing activities		<u>( 297,399)</u>	<u>( 13,447,494)</u>
Cash flows from financing activities:			
Dividends paid	14	( 4,482,034)	( 3,749,146)
Effect of change in non-controlling interest		2,479,905	-
Net change in related parties' accounts		( 3,097,011)	( 2,327,357)
Increase in banks borrowings and loans from banks		<u>4,071,956</u>	<u>423,173</u>
Net cash used in financing activities		<u>( 1,027,184)</u>	<u>( 5,653,330)</u>
Net (decrease)/increase in cash and cash equivalents		( 7,216,291)	19,570,628
Cash and cash equivalents - Beginning of the year		<u>44,736,888</u>	<u>25166,260</u>
Cash and cash equivalents - End of the year	5	<u><u>37,520,597</u></u>	<u><u>44,736,888</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**RASAMNY YOUNIS MOTOR CO. S.A.L. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. FORMATION AND OBJECTIVE**

Rasamny Younis Motor Co. S.A.L. (the Company) is a Lebanese Joint Stock Company, established on September 7, 1957 and registered in Baabda under the commercial registration N°. 22368. The Company is listed on Beirut Stock Exchange since February 1998.

The main activities of the Company consist of import and export and trading of automotive vehicles and spare parts. The Company is the distributor of NISSAN MOTOR CO. and other brands in Lebanon.

The financial statements comprise of the financial statements of the Company and its subsidiaries ("the Group").

**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 Group 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>	<u>Effective for Annual Periods 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 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	January 1, 2018
The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• 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</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul>	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018

**Effective for  
Annual Periods  
Beginning on or After**

**New and revised IFRSs**

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

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 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

January 1, 2018

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**

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***

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**

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***

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 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 an investor to its associate or joint venture.

Effective date deferred  
indefinitely



Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be fully adopted in the Group's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Group's financial statements for the annual period beginning January 1, 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Statement of Compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### B. Basis of Preparation:

The consolidated financial statements have been prepared on the historical cost basis.

#### C. Basis of Presentation of Consolidated Financial Statements:

The consolidated financial statements of the Group include the accounts of the Group and its following subsidiaries:

	<u>Ownership Percentage</u>		<u>Country</u>
	%		
	<u>December 31, 2016</u>	<u>2015</u>	
<b>Consolidated subsidiaries:</b>			
Rymco Europe S.A.L. (Holding)	68.76	68.76	Lebanon
Rymco Mena S.A.L. (Holding)	71.9	71.9	Lebanon
Associated Automotive Agencies S.A.L.	49.5	-	Lebanon
United Automotive Agencies S.A.L.	49.5	-	Lebanon
Quick Fix S.A.L.	100	100	Lebanon
Clean and Gleam S.A.L.	100	100	Lebanon
<b>Indirect ownership: Rymco Europe – subsidiaries:</b>			
Rymco Cyprus Limited	100	100	Cyprus
Rymco International Ltd	100	100	British Virgin Islands
<b>Indirect ownership: Rymco Mena Subsidiary:</b>			
Rakha Trading L.L.C.	60	60	Syria

In 2015, the Group acquired additional 58,291 shares out of the 1,457,279 total shares issued and authorized in Rymco Europe S.A.L. (Holding) for a total consideration of LBP517million.

In 2016, the Group has invested in two newly established subsidiaries United Automotive Agencies S.A.L. and Associated Automotive Agencies S.A.L., owning 49.5% of the shares in each subsidiary.

The consolidated financial statements of Rasamny Younis Motor Co. S.A.L. incorporate the financial statements of the Parent Company and enterprises controlled by the Parent Company (its subsidiaries). Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein.

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Group. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

D. Business Combinations:

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs other than those associated with the issue of debt or equity securities are generally recognized in profit or loss as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

E. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pounds (LBP) which is the official reporting currency of the Group. The currency of the economic environment in which the Group operates is the U.S Dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' reporting currencies (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Lebanese Pounds using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period.

Exchange difference arising on consolidation are recognized directly in other comprehensive income and accumulated under equity under "Cumulative foreign currency translation reserve".

#### F. Notes and Accounts Receivable:

Notes and accounts receivable are reflected in the consolidated statement of financial position net of unearned interest and after deduction of the provision for doubtful accounts which is established in an amount considered, in the management opinion, adequate to absorb anticipated credit losses.

The Group recognizes a new financial asset acquired in connection with asset derecognition coupled with a new financial asset or liability resulting from transfer of control of financial assets at fair value and recognizes a gain or loss on the transaction based on the difference between: a) the proceeds, and b) the carrying amount of the financial asset sold plus transaction cost, minus the fair value of any new financial asset acquired.

#### G. Inventories:

Inventories are carried at the lower of cost and net realizable value. Cost of cars (which includes all types of vehicles as disclosed in Note 8) and boats is determined using the specific identification method. Cost of spare parts is determined using the weighted average method. A provision for slow moving spare parts is established, based on a detailed ageing analysis and management past experience. Also, a provision for expected loss on sale of used cars is set up, based on management and market assessments.

Generally, the Group settles the customs duties on cars and other vehicles following a cash flow management policy and based on the expected sales. As such, certain costs of cars and vehicles do not include the related customs duties. Cost of inventory includes purchase cost and other costs to bring inventory to its present location. Other costs include the customs duties paid.

#### H. Investments in Associates:

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are recorded at cost in the Group's separate consolidated financial statements.

I. Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Costs incurred subsequent to initial acquisition are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss when incurred.

Depreciation is charged so as to write-off the costs of these assets, other than additions in progress, over the estimated useful lives of the relevant assets.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Premises and warehouses	10- 50
General installations	16.5
Garage tools	12.5
Vehicles	10
Computer and office equipment	5
Furniture and fixtures	12.5

J. Impairment of Tangible Assets:

At the end of each reporting period, the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate, the Group estimates the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a market-determined discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### K. Revenue Recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

##### Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Rendering of services

Revenue from services is recognized when services are performed and earned.

##### Interest income

Interest income is accrued on a time by basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

L. Employees' End-of-Service Indemnity:

Contributions paid regularly by the Group to the Lebanese National Social Security Fund on account of employees' termination indemnities are computed on the basis of 8 percent of the actual employees' earnings. However, upon completion of twenty years of service or upon termination of employment, and for those employees wishing to settle their accounts with the Fund, the related indemnities are computed on the basis of the last salary paid, times number of years of service, and differences between such amounts due and contributions already paid, are settled to the Fund at that time. The Group follows the policy of accruing for the indicated differences at the end of each reporting period.

Other subsidiaries are subject to the rules and regulations in countries of origin.

M. Management Bonuses:

The Group follows a policy for the bonuses due to certain management member by charging these amounts to the statement of comprehensive income in the year when they are authorized and paid.

N. Income Tax:

The parent company is subject to the Lebanese Income Tax Law. The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are never taxable or deductible. There are no temporary taxable differences and accordingly deferred tax does not apply.

The Lebanese Holding company is subject to the Lebanese income tax law and the holding companies law. Tax is computed at rates based on capital and reserves with a total not to exceed LBP5million.

Other subsidiaries are subject to income taxes in countries in which they operate, in accordance with the applicable regulations.

O. Borrowings Costs:

Borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they incur.

P. Provisions:

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranty costs, which are limited to specific cases, are accrued and recorded when incurred and are charged directly to the suppliers.

Q. Goodwill:

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

R. Financial Instruments – Recognition and Measurement:

*Financial assets*

Financial assets are recognized on the Group's statement of financial position when the Group has become a party to the contractual provisions of the instrument.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*Trade and other receivables*

Trade and other receivables are measured at their amortized cost, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired.



### *Investments*

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Available-for-sale investments held by the Group consist of unquoted equity securities whose fair value cannot be reliably measured hence are carried at cost.

### *Due from/to related parties*

Due from/to related parties are measured at their amortized cost.

### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

### *Derecognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

### *Financial liabilities*

Financial liabilities instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

### *Liabilities under acceptances and trade payables*

Liabilities under acceptances and trade payables are measured at their cost.

### *Bank borrowings*

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Derecognition of financial liabilities*

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### *Fair value measurement*

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

S. Dividends:

Dividends are recorded when declared.

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the accounting policies 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.

***Critical judgments in applying the Group's accounting policies***

The following is the critical judgment, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that has a significant effect on the amounts recognized in financial statements.

***Revenue recognition***

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in International Accounting Standard 18: *Revenue*, and in particular whether the Group had transferred risks and rewards of ownership of the goods. Based on the acceptance by the customer of the liability of the goods sold, management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

### *Going concern*

The Group's management has made an assessment of the Group'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 Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### *Key sources of estimation uncertainty*

#### *Allowance for doubtful receivables*

Allowance for doubtful receivables is determined using a combination of factors to ensure that the trade receivables are not overstated due to uncollectability. The allowance for irrecoverable debts for all customers is based on a variety of factors, including the overall quality and aging of receivables, and continuing credit evaluation of the customers' financial conditions. Also, specific allowances for individual accounts are recorded when the Group becomes aware of the customer's inability to meet its financial obligations.

#### *Property and equipment*

The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. Management has not considered any residual value for property and equipment.

#### *Provision for slow-moving inventories*

Inventories are stated at the lower of cost and net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances.

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

## 5. CASH AND BANKS

This caption included the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Checks for collection	1,224,350	667,479
Cash on hand	565,880	1,342,894
Current accounts with banks	5,104,178	12,327,491
Margins against letters of credit	14,038,744	2,109,098
Time deposits with banks (a)	<u>16,587,445</u>	<u>28,289,926</u>
Cash and cash equivalents	37,520,597	44,736,888
Accrued interest receivable	-	91,946
Blocked margins against guarantees (b)	2,444,297	823,832
Cash collateral	-	<u>9,280,332</u>
	<u>39,964,894</u>	<u>54,932,998</u>

Cash and cash equivalents are mainly denominated in U.S. Dollar.

- (a) Term deposits with banks have original maturities not exceeding 3 months and are subject to interest rates between 3.5% and 7% per annum for the year ended December 31, 2016 (between 4% and 5.5% for the year 2015). Interest income earned on these deposits amounted to LBP1.46billion for the year ended December 31, 2016 (LBP830million for the year 2015) recorded under "Interest income from banks" under "Net interest expense and financial charges" (Note 20) in the consolidated statement of profit or loss.
- (b) Blocked margins against guarantees are denominated in USD and have original maturities exceeding three months and are interest free.

## 6. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable are composed of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
<b><u>Current:</u></b>		
Current notes receivable (net of unearned interest)	24,668,336	36,740,477
Accounts receivable – clients cars	13,850,928	15,868,913
Accounts receivable – dealers cars	6,280,517	3,298,061
Accounts receivable – related parties cars	24,346,250	16,620,162
Advances to employees	317,693	227,596
Other receivables	8,048,120	8,263,003
<b><u>Less:</u></b>		
Provision for doubtful notes and accounts receivable	( 7,429,214)	( 10,622,380)
	<u>70,082,630</u>	<u>70,395,832</u>
<b><u>Non-Current:</u></b>		
Notes receivable (net of unearned interest)	3,695,721	12,695,069
Notes and other receivables held as a residual interest in the sale of a portfolio of notes	12,225,224	11,556,010
Notes and other receivables held as a residual interest in the sale of a portfolio of cars	4,523,780	4,523,780
<b><u>Less:</u></b>		
Provision for doubtful notes and accounts receivable	-	( 94,748)
	<u>20,444,725</u>	<u>28,680,111</u>

The Group transferred control of notes receivable to a financial institution in accordance with a transfer agreement as follows:

	<u>Net Notes Receivable</u>	<u>Unearned Interest</u>
	<u>LBP(billion)</u>	<u>LBP(billion)</u>
2009 (Compartment 1)	19.50	( 2.79)
2012 (Compartment 2)	13.45	( 1.06)
2013 (Compartment 3)	11.53	( 1.74)
2015 (Compartment 3)	5.36	( 1.20)
2016 (Compartment 4)	29.54	( 4.42)

The Group holds control of the notes transferred for the aggregate amount of LBP10.1billion (LBP9.91billion in 2015). A reserve account was deposited for an amount of LBP2.18billion (LBP1.64billion in 2015). The total of these receivables from the financial institution (manager of the securitization transaction) amounting to LBP12.23billion (LBP11.56billion in 2015) were classified as non-current receivables as of December 31, 2016 and 2015. The revolving period of the three agreements is three years. The final settlement date of the first, second and third agreements are December 31, 2018, 2019, respectively, and 2023 for the third and fourth agreement.

During 2015, interest income amounted to LBP16million (net of tax) (nil for the year 2016) reflected under "Net interest expense and financial charges" (Note 20) in statement of profit or loss, of which a receivable balance of LBP18million was outstanding and reflected under "Other receivables – current" as of December 31, 2015 (nil as of December 31, 2016).

The Group will continue servicing the collection of the notes transferred till the termination date of the transfer agreement. The notes collected from customers as a result of this agreement and to the favor of the financial institution are directly transferred to its favor through a bank account opened for this purpose. The payable balance due as a result of this collection and outstanding as at December 31, 2016 is LBP1.66billion (LBP91million in 2015) included under "Other creditors" (Note 14).

Other receivables include as of December 31, 2016 an aggregate balance of LBP2.37billion (LBP2.76billion in 2015) representing outstanding balance of claims due from insurance companies.

During 2016, interest income of notes receivables not held as residual interest amounted to LBP1.53billion (LBP1.67billion in 2015) reflected under "Net interest expense and financial charges" (Note 20) in statement of profit or loss.

Notes receivable (current and non-current) are composed of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Notes receivable under the Group's custody	15,961,442	32,828,746
Notes receivable discounted with banks with recourse	42,590	165,590
Notes receivable from related parties	<u>13,672,280</u>	<u>20,018,803</u>
Total Notes receivable at face value	29,676,312	53,013,139
<u>Less: Unearned interest</u>	<u>( 1,312,210)</u>	<u>( 3,577,593)</u>
	28,364,102	49,435,546
Notes and other receivables held as a residual interest in the sale of a portfolio of notes	12,225,179	11,556,010
Notes and other receivables held as a residual interest in the sale of a portfolio of cars	<u>4,523,780</u>	<u>4,523,780</u>
	<u>45,113,061</u>	<u>65,515,336</u>

Accounts and notes receivable (excluding other receivables) which are initially secured by cars are spread over a large number of customers. The Group is unable to determine the fair value of these collaterals on a timely basis.

During 2016, the Group transferred control of new cars aggregating to LBP20.1billion (excluding VAT and custom duty) (LBP28.2billion for the year 2015) to a financial institution in accordance with a sale and purchase agreement. The sale was recognized at cost. The Group holds control of the new cars transferred for the aggregate amount of LBP9.5billion as of December 31, 2016 (LBP5.3billion as of December 31, 2015). A reserve account was deposited for an amount of LBP388million (Nil in 2015). The total of these receivables from the financial institution (manager of the securitization transaction) amounting to LBP4.5billion (LBP4.5billion as of December 31, 2015), were classified as non-current receivables as of December 31, 2016. The final settlement date of this agreement is on June 30, 2020. During 2016, interest income amounted to LBP610million, net of tax (LBP1.9billion for the year 2015) reflected under "Net interest expense and financial charges" (Note 20) in the statement of profit or loss of which a receivable balance of LBP779million was outstanding and reflected under "Other receivables - current" as of December 31, 2016 (LBP949million as of December 31, 2015). In addition, a receivable balance of LBP121million as of December 31, 2016 (LBP306million as of December 31, 2015) due from the latter was reflected under "Other receivables - current".

The Group will continue servicing the sale of the new cars transferred, till the termination date of the sale and purchase agreement. Service income for the year ended December 31, 2016 amounted to LBP33million (LBP32million in 2015) reflected under "Other revenues" in the statement of profit or loss. The cars sold to the customers as a result of this agreement and to the favor of the financial institution are directly transferred to its favor through a bank account opened for this purpose. The payable balance due as result of cars sales on behalf of the financial institution and outstanding as of December 31, 2016 is LBP49million (LBP1.2billion as of December 31, 2015) included under "Other liabilities" under "Accrued expenses and other liabilities" (Note 14) and was fully settled subsequently.

The fees resulting from this agreement amounted to LBP202million as of December 31, 2016 (LBP403million as of December 31, 2015) reflected under "Prepayments and other assets", to be amortized over 4 years (Note 9). Amortization fees for the year ended December 31, 2016 amounted to LBP202million (LBP202million for the year 2015) included under "Professional fees" under "General and administrative expenses" in the consolidated statement of profit or loss (Note 18).



The movement of the provision for doubtful notes and accounts receivable was as follows:

	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
Balance – beginning of the year	10,717,128	9,831,936
Translation difference	( 54,052)	( 36,445)
Additions	4,351	603,000
Transfer from escrow account	-	1,367,493
Write-off	(3,238,213)	(1,048,856)
Balance – end of the year	<u>7,429,214</u>	<u>10,717,128</u>

#### 7. RELATED PARTIES BALANCES AND TRANSACTIONS

At the end of the reporting period, balances with related parties were as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
<u>Due from related parties – current portion:</u>		
RY Properties S.A.L.	995,856	35,896
Others	<u>1,050,020</u>	<u>1,243,255</u>
	<u>2,045,876</u>	<u>1,279,151</u>
<u>Due from related parties – non-current portion:</u>		
Rasaria Real Estate Investment S.A.L.	14,551,465	12,905,148
Others	-	<u>263,800</u>
	<u>14,551,465</u>	<u>13,168,948</u>
<u>Due to related parties:</u>		
International Commercial PTY Ltd. “ICPL” (Associate) – (Note 10)	-	725,684
Shareholders’ accounts	1,133	3,749
Due to board members	609,140	182,380
Payable to non-controlling interests	<u>4,407,650</u>	<u>5,053,879</u>
	<u>5,017,923</u>	<u>5,965,692</u>

In addition to the above, notes and accounts receivable as of December 31, 2016 include notes receivables in the aggregate amount of LBP39.02billion (LBP36.64billion in 2015) (Note 6) that are due from related parties for which the related interest income is equal to the aggregate amount of LBP341million (LBP387million in 2015) (Note 20) reflected under "Net interest expense and financial charges" in the statement of profit or loss.

Related Party Transactions:

Net sales during 2016 included sales to shareholders and related parties in the total amount of LBP143.19billion (LBP99.88billion during 2015).

The Group incurred during 2016 insurance expenses against fire, hospitalization, cash in transit and other risks from an insurance company majorly owned by a shareholder for a total of LBP364million (LBP415million during 2015). Also, the same company provided the Group with other forms of insurance coverage on behalf and to the order of its customers.

Furthermore, the Group was charged car leasing from a related party for an amount of LBP43.39million in 2016 reflected "Rent charges" under "General and administrative expenses" in the consolidated statement at profit or loss (LBP46.18million during 2015) (Note 18).

Moreover, the Group was charged legal fees from a shareholder for an amount of LBP30million for the year ended December 31, 2016 (LBP30million in 2015) reflected as "Legal expenses" under "General and administrative expenses" (Note 18) in the consolidated statement of profit or loss.

In addition, the Group was charged consultancy fees from a related party for an amount of LBP126million for the year ended December 31, 2016 (LBP126million in 2015) reflected as "Professional fees" under "General and administrative expenses" (Note 18) in the consolidated statement of profit or loss.

Key management remunerations:

	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Board members	1,340,741	1,230,676
Key management personnel	<u>524,409</u>	<u>503,532</u>
	<u>1,865,150</u>	<u>1,734,208</u>

**8. INVENTORY OF CARS AND SPARE PARTS**

This caption is composed of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
New cars	39,705,536	32,458,924
Used traded-in cars	4,351,483	4,621,005
Provision for impairment of used cars	( 439,166)	( 330,000)
Total cars inventory	<u>43,617,853</u>	<u>36,749,929</u>
Spare parts	17,333,325	15,396,386
Provision for slow moving spare parts	( 2,795,739)	( 2,828,515)
Spare parts inventory (net)	14,537,586	12,567,871
Marine boats	704,707	704,707
Motorcycles and jet-skis	762,317	645,191
Fuel and oil	52,573	44,944
Goods in transit	<u>47,994,714</u>	<u>31,625,579</u>
	<u>64,051,897</u>	<u>45,588,292</u>
Total	<u>107,669,750</u>	<u>82,338,221</u>

The movement of provision for impairment of used cars and for slow moving spare parts was as follows:

	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Balance – beginning of the year	3,158,515	2,647,325
Additions	296,804	612,958
Write-off	( 101,124)	( 90,023)
Translation difference	( 3,624)	( 11,745)
Write-back	( 115,666)	-
Balance – end of the year	<u>3,234,905</u>	<u>3,158,515</u>

Goods in transit are accrued for and recorded under trade accounts payable. The total balance of outstanding inventory for which custom duties were paid as at December 31, 2016 is equal to LBP11.91billion (LBP8.8billion in 2015).

## 9. PREPAYMENTS AND OTHER ASSETS

This caption includes the following:

	December 31,	
	2016	2015
	LBP'000	LBP'000
Prepaid marketing fees	1,981,371	1,563,802
Prepaid insurance	206,723	209,293
Prepaid rent	930,243	964,027
Prepaid maintenance fees	26,229	8,400
Prepaid expenses on new cars sold	2,782,727	1,376,948
Advance payments to suppliers	1,401,262	1,162,529
Accrued incentive income from suppliers	2,697,060	3,376,947
Deferred charges from securitization of new cars transaction (Note 6)	201,661	403,274
Other assets	<u>1,204,063</u>	<u>2,191,845</u>
	<u>11,431,339</u>	<u>11,257,065</u>

## 10. INVESTMENT IN ASSOCIATE

The movement of investment in associate for the year ended December 31, 2016 and 2015 is as follows:

	2016	2015
	LBP'000	LBP'000
Opening Balance	802,851	603,000
Increase in associate capital (a)	-	681,562
Sale of 15% share of capital (b)	-	( 481,711)
Decrease in associate capital (c)	<u>( 527,625)</u>	<u>-</u>
Ending Balance	<u>275,226</u>	<u>802,851</u>

- (a) During 2015, the shareholders of the associate resolved to increase its capital in the amount of USD1,130,286 where the Group's share in the capital increase amounted to USD452,114 (equivalent to LBP682million) representing 40% of the total increase.
- (b) During 2015, the Group sold 15% of its share in the associate for a total consideration of USD424,992 (equivalent to LBP641million) of which USD100,000 (equivalent to LBP151million) was paid during 2015 and the remaining balance to be paid over two payments in the amount of USD150,000 (equivalent to LBP226million) in 2016 and USD174,992 (equivalent to LBP264million) in 2017 resulting in a gain in the amount of LBP159million reflected under "Gain on sale of share in associate" in the statement of profit or loss.

(c) During 2016, the shareholders of the associate resolved to decrease its capital in the amount of USD1.4million where the Group's share in the capital decrease amounted to USD350,000 (equivalent to LBP528million) representing 25% of the total decrease.

Accordingly, total share of the Group in the associate as of December 31, 2016 is 25% (25% as of December 31, 2015).

The balance due to this associate and outstanding as of December 31, 2016 amounted to LBP725million (nil as of December 31, 2016) (Note 7). Total sales to the associate for the year ended December 31, 2015, amounted to LBP669million (nil for the year ended December 31, 2015).

Summarized financial information in respect of the Group's associate is set out below:

	(Unaudited)	
	December 31,	
	2016	2015
	LBP'000	LBP'000
Total assets	920,630	2,611,330
Total liabilities	<u>23,248</u>	<u>139,312</u>
Net assets	897,382	2,472,018
Group's share in associate	<u>25%</u>	<u>25%</u>
Group's share of net assets of associate	<u>224,346</u>	<u>618,004</u>

	(Unaudited)	
	Year Ended	
	December 31,	
	2016	2015
	LBP'000	LBP'000
Total revenue	<u>952,818</u>	<u>1,079,103</u>
Net (loss)/profit for the year	<u>( 89,106)</u>	<u>15,120</u>
Group's share in associate	<u>25%</u>	<u>25%</u>
Group's share of (loss)/profits of associate	<u>( 22,277)</u>	<u>3,780</u>

## 11. PROPERTY AND EQUIPMENT

This caption includes the following:

	Premises and Warehouses	General Installations	Tools and Equipment	Vehicles	Computer and Office Equipment	Furniture and Fixtures	Total Depreciable Fixed Assets	Land	Advances on fixed assets	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
<b>Cost:</b>										
Balance as of January 1, 2015	17,525,911	13,131,467	4,878,077	4,639,519	4,968,996	1,408,066	46,552,036	16,132,380	7,339,678	70,024,094
Additions	-	655,220	218,705	1,536,176	310,217	15,910	2,736,228	-	2,066,424	4,802,652
Transfer	7,305,884	817,350	-	-	-	-	8,123,234	-	( 8,123,234)	-
Retirements	-	-	-	( 631,985)	-	-	( 631,985)	-	-	( 631,985)
Effect of foreign currency exchange difference	( 501,793)	( 59,106)	( 14,853)	( 17,933)	( 10,062)	( 9,960)	( 613,707)	( 475,173)	-	( 1,088,880)
Balance as of December 31, 2015	24,330,002	14,544,931	5,081,929	5,525,777	5,269,151	1,414,016	56,165,806	15,657,207	1,282,868	73,105,881
Additions	4,598,873	1,008,443	315,124	2,462,656	194,262	58,074	8,637,432	-	722,633	9,360,065
Transfer	-	1,221,956	-	-	-	33,248	1,255,204	-	( 1,255,204)	-
Retirements	-	( 44,003)	( 130,193)	( 1,688,532)	( 118,489)	( 44,742)	( 2,025,959)	-	-	( 2,025,959)
Effect of foreign currency exchange difference	( 1,398,785)	148,486	( 87,441)	( 37,231)	( 122,835)	( 11,400)	( 1,509,206)	( 1,668,783)	-	( 3,177,989)
Balance as of December 31, 2016	27,530,090	16,879,813	5,179,419	6,262,670	5,222,089	1,449,196	62,523,277	13,988,424	750,297	77,261,998
<b>Accumulated Depreciation:</b>										
Balance as of January 1, 2015	( 5,203,656)	( 7,149,634)	( 2,113,413)	( 2,001,376)	( 3,686,368)	( 934,092)	( 21,088,539)	-	-	( 21,088,539)
Additions	( 1,077,973)	( 738,453)	( 363,030)	( 472,832)	( 340,283)	( 73,310)	( 3,065,881)	-	-	( 3,065,881)
Retirements	-	-	-	205,609	4,032	1,074	210,715	-	-	210,715
Effect of foreign currency exchange difference	83,112	-	19,502	17,703	9,043	8,497	137,857	-	-	137,857
Balance as of December 31, 2015	( 6,198,517)	( 7,888,087)	( 2,456,941)	( 2,250,896)	( 4,013,576)	( 997,831)	( 23,805,848)	-	-	( 23,805,848)
Additions	( 1,143,253)	( 742,693)	( 382,700)	( 523,690)	( 364,980)	( 75,787)	( 3,233,103)	-	-	( 3,333,103)
Transfer	-	1,995	-	-	-	( 1,995)	-	-	-	-
Retirements	-	37,913	121,315	525,164	111,710	30,683	826,785	-	-	826,785
Effect of foreign currency exchange difference	327,257	( 456)	38,333	36,036	113,737	16,570	531,477	-	-	531,477
Balance as of December 31, 2016	( 7,014,513)	( 8,591,328)	( 2,679,993)	( 2,213,386)	( 4,153,109)	( 1,028,360)	( 25,680,689)	-	-	( 25,680,689)
<b>Net book value:</b>										
As of December 31, 2016	20,515,577	8,288,485	2,499,426	4,049,284	1,068,980	420,836	36,842,588	13,988,424	750,297	51,581,309
As of December 31, 2015	18,131,485	6,656,844	2,624,988	3,274,881	1,255,575	416,185	32,359,958	15,657,207	1,282,868	49,300,033

During 2016, the Group purchased a showroom in Mina El-Hosn on plot No. 1397 in the amount of LBP4.4billion out of which LBP3.4billion remains payable to the supplier as at December 31, 2016 (Note 14).

Advances on fixed assets as at December 31, 2016 and 2015 mainly represent advances paid to suppliers in relation to the renovation of showrooms.

In July 2015, the Group carried out an appraisal through an independent expert on its premises and warehouses located in Chiyah area covering plots No 796 and 4037 and one of its showrooms and warehouses located in Manara area Plot No. 581, that resulted in a fair value in the approximate amount of USD64million (without the consideration of deferred tax liability).

## 12. BANKS BORROWINGS

Borrowings from banks are broken down as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Loans	25,050,564	32,525,652
Overdrafts	41,801,336	30,254,292
	<u>66,851,900</u>	<u>62,779,944</u>

Bank borrowings as classified by currency as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
<u>Current:</u>		
Lebanese Pounds	6,925,233	5,186,466
U.S. Dollar	58,001,544	52,295,806
Japanese Yen	184,519	1,872,965
Other currencies	70,229	322,582
	<u>65,181,525</u>	<u>59,677,819</u>
<u>Non-Current:</u>		
Lebanese Pounds	<u>1,670,375</u>	<u>3,102,125</u>
Total current and non-current	<u>66,851,900</u>	<u>62,779,944</u>

The credit facilities on these overdrafts are equivalent to LBP62billion as of December 31, 2016 (LBP49billion as of December 31, 2015).

The overdrafts under these facilities are subject to an average interest rate of 9.5% on Lebanese Pound and 7% on U.S. Dollar as at December 31, 2016 and 2015. Interest expense on these overdrafts amounted to approximately LBP6.36billion for the year 2016 (LBP6.5billion in 2015), reflected under "Net interest expense and financial charges" in the consolidated statement of profit or loss (Note20).

The remaining facilities are partially secured by bills and the personal guarantees of the parent company's shareholders. Those facilities are used to support the Group's operations.

During 2013, the Group obtained a six-year subsidized loan by the Central Bank of Lebanon, in the amount of LBP5.73billion for the purpose of building a new showroom. This loan is to be payable after a two years grace period, starting from the third year until the sixth year, through 48 equal monthly installments in the amount of LBP119million. The Group shall settle monthly during the first two years of the loan period the interest. Interest on the loan is subject to a floating interest rate of one year Lebanese treasury bills plus three percent, provided it does not fall below the subsidized fixed interest rate applied by the Central Bank of Lebanon. Interest expense for the year ended December 31, 2016 amounted to LBP202million (LBP259million in 2015) reflected under "Net interest expense and financial charges" in the consolidated statement of profit or loss (Note 20). The loan was fully drawn as at December 31, 2014.

### 13. LIABILITIES UNDER ACCEPTANCES AND TRADE PAYABLES

This caption consists of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Liabilities under acceptances	123,770,789	102,770,523
Trade payables	<u>19,729,333</u>	<u>27,030,275</u>
	<u>143,500,122</u>	<u>129,800,798</u>

Liabilities under acceptances as of December 31, 2016 consist of bank acceptances payable in Japanese Yen and U.S Dollar due to suppliers with the following maturities as of 2016 year end:

	<u>Amount</u>		<u>Total C/V in LBP'000</u>
	<u>JPY</u>	<u>USD</u>	
January 2017	57,576,993	24,427,825	
February 2017	57,982,208	15,969,289	
March 2017	40,316,730	15,003,557	
April 2017	35,103,007	7,779,513	
May 2017	130,672,218	13,570,919	
June 2017	14,756,930	728,669	
July 2017	-	<u>1,877,948</u>	
	<u>336,408,086</u>	<u>79,357,720</u>	<u>123,971,429</u>
Deferred interest	( 2,195,964)	( 114,303)	( 200,640)
Total 2016	<u>334,212,122</u>	<u>79,243,417</u>	<u>123,770,789</u>



Liabilities under acceptances as of December 31, 2015 consist of bank acceptances payable in Japanese Yen and U.S Dollar due to suppliers with the following maturities as of 2015 year end:

	Amount		Total C/V in LBP'000
	JPY	USD	
January 2016	34,034,709	12,403,431	
February 2016	66,563,890	10,403,309	
March 2016	45,479,845	11,980,577	
April 2016	37,640,927	17,825,942	
May 2016	69,718,657	12,840,450	
June 2016	-	794,160	
	<u>253,438,028</u>	<u>66,247,869</u>	<u>103,039,174</u>
Deferred interest	( 2,531,333)	( 157,203)	( 268,651)
Total 2015	<u>250,906,695</u>	<u>66,090,666</u>	<u>102,770,523</u>

Interest expense on bank acceptances amounted to LBP1.51billion in 2016 (LBP1.15billion in 2015) reflected under "Net interest expense and financial charges" (Note 20) in the consolidated statement of profit or loss.

#### 14. ACCRUED EXPENSES AND OTHER LIABILITIES

This caption is composed of the following:

	December 31,	
	2016	2015
	LBP'000	LBP'000
Customers and dealers - credit balances and advances (a)	3,861,035	18,076,804
Supplier of fixed asset (Note 11)	3,419,010	-
Corporate income tax (b)	1,885,513	1,872,996
Net Value Added Tax	1,602,100	2,531,568
Accrued expenses	888,720	959,611
Dividends payable (c)	125,117	102,651
Other creditors (a)	8,585,914	9,397,949
Other liabilities – securitization (Note 6)	190,791	1,329,459
	<u>20,558,200</u>	<u>34,271,038</u>

(a) Customers and Dealers include advances collected from the Lebanese Government amounting to LBP16.17billion as of December 31, 2015 (Nil for the year 2016) in satisfaction of sales of new cars that will be delivered and recognized in the subsequent period. Moreover, other creditors include amount of LBP2.7billion as of December 31, 2016 (LBP4.1billion as of December 31, 2015) collected from the Lebanese government for the maintenance of the sold cars over a period of 5 years.

(b) Corporate income tax liability is broken down as follows:

	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
Beginning balance	1,872,996	1,586,617
Income tax provision for the year	1,768,928	1,691,472
Settlement of prior years income tax	(1,872,990)	(1,586,617)
Other taxes	<u>116,579</u>	<u>181,524</u>
Ending balance	<u>1,885,513</u>	<u>1,872,996</u>

Corporate income tax for Parent Company (Note 21) is computed as follows:

	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
Profits before income tax	<u>10,586,507</u>	<u>10,860,696</u>
Add: Non deductible expenses:		
Provisions	724,818	1,426,672
Expenses	998,898	912,014
Taxes	160,306	326,010
Deduct:		
Non-taxable income	<u>( 677,677)</u>	<u>(2,248,914)</u>
Total tax adjustments	<u>1,206,345</u>	<u>415,782</u>
Taxable profits	<u>11,792,852</u>	<u>11,276,478</u>
Income tax at 15%	<u>1,768,928</u>	<u>1,691,472</u>

(c) Dividends payable are broken down as follows:

	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
Opening Balance	102,651	84,397
Dividends declared	4,504,500	3,767,400
Dividends paid	<u>(4,482,034)</u>	<u>(3,749,146)</u>
Ending Balance	<u>125,117</u>	<u>102,651</u>

The Ordinary General Assembly of Shareholders held on June 23, 2016 declared the distribution of dividends for an amount of LBP4.5billion.

The Ordinary General Assembly of Shareholders held on June 19, 2015 declared the distribution of dividends for an amount of LBP3.77billion.

Dividends paid during 2016 amounted to LBP4.5billion including LBP103million of dividends declared and outstanding from prior years (LBP3.75billion for the year 2015 including LBP84million of dividends declared and outstanding from prior years).

#### 15. PROVISION FOR EMPLOYEES' END-OF-SERVICE INDEMNITY

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

	<u>2016</u> LBP'000	<u>2015</u> LBP'000
Balance – beginning of the year	1,730,323	1,326,883
Additions (Note 19)	531,889	438,179
Settlements	( 688,294)	( 34,739)
Write-off	( 66,369)	-
Balance – ending of the year	<u>1,507,549</u>	<u>1,730,323</u>

#### 16. CAPITAL

Capital is represented by 27,300,000 shares authorized and fully paid with a par value of LBP1,000. These shares are divided into three categories as follows:

	<u>Shares</u>	<u>Percentage</u> %
"A" Shares	13,923,000	51
"B" Shares	10,920,000	40
"C" Shares	<u>2,457,000</u>	9
	<u>27,300,000</u>	

Class "A" Shares may only be owned by and traded between (a) Lebanese individuals, (b) by general partnership, limited liability companies and limited partnerships the entire ownership of which is constituted by Lebanese individuals, or (c) by joint stock companies in which all the shares are owned by Lebanese individuals and which, pursuant to their statutes, can only be transferred to Lebanese individuals.

Class "B" Shares listed in Beirut Stock Exchange may be tradable and transferable between Lebanese and non-Lebanese persons (whether legal or natural).

Class "C" Shares may be freely tradable and transferable between Lebanese and non-Lebanese persons (whether legal or natural).

**17. SALES AND COST OF SALES**

This caption is composed of the following:

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
New cars' sales, net	327,101,880	296,123,018
Cost of new cars	( 297,068,716)	(268,814,028)
Gross profit	<u>30,033,164</u>	<u>27,308,990</u>
Used cars' sales, net	18,971,228	18,734,092
Cost of used cars	( 18,886,891)	( 19,129,007)
Gross profit	<u>84,337</u>	<u>( 394,915)</u>
Spare parts' sales, net	22,743,157	22,228,564
Cost of spare parts	( 12,191,195)	( 12,243,444)
Gross profit	<u>10,551,962</u>	<u>9,985,120</u>
Motorcycles' and Jet-skis' Sales	2,282,639	2,491,969
Cost of motorcycles and jet-skis'	( 1,822,046)	( 1,761,958)
Gross profit	<u>460,593</u>	<u>730,011</u>
Fuel and oil sales	1,763,067	1,790,366
Cost of fuel and oil	( 1,590,137)	( 1,671,370)
Gross profit	<u>172,930</u>	<u>118,996</u>
Net after sale services	<u>3,403,821</u>	<u>4,435,496</u>
Total net sales	<u>376,265,792</u>	<u>345,803,505</u>
Total cost of sales	<u>( 331,558,985)</u>	<u>(303,619,807)</u>

#### 18. GENERAL AND ADMINISTRATIVE EXPENSES

This caption is composed of the following:

	Year Ended	
	December 31,	
	2016	2015
	LBP'000	LBP'000
Rent charges	2,724,937	2,657,445
Professional fees	1,120,987	1,344,359
Garage expenses	390,879	431,357
Cleaning	476,715	397,481
Taxes and duties	909,937	841,520
Repairs and maintenance	281,870	279,794
Attendance fees	126,630	126,630
Electricity and water	184,855	218,628
Transportation expenses	75,343	67,522
Telephone and telecommunication	483,660	477,449
Entertainment	178,860	146,688
Travel expenses	422,347	549,582
Insurance	614,675	765,465
Legal expenses	209,098	279,818
Fuel and gas	379,004	416,713
Guard expenses	296,281	299,016
Miscellaneous	1,598,678	1,496,130
	<u>10,474,756</u>	<u>10,816,081</u>

#### 19. SALARIES, WAGES AND RELATED CHARGES

This caption comprises the following:

	Year Ended	
	December 31,	
	2016	2015
	LBP'000	LBP'000
Salaries and wages	7,477,034	7,409,999
Bonus	2,814,763	2,628,689
Directors' remunerations	132,660	132,660
Sales' commissions	610,380	548,997
Schooling	162,458	213,439
Transportation	545,505	500,450
Staff termination indemnities	223,511	172,238
National Social Security Fund contributions	1,716,601	1,708,596
Other Allowances	17,922	20,547
Provision for employees' end-of-service indemnity (Note 15)	531,889	438,179
	<u>14,232,723</u>	<u>13,773,794</u>

**20. NET INTEREST EXPENSE AND FINANCIAL CHARGES**

This caption is composed of the following:

	<u>Year Ended</u> <u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Interest income on notes receivable (Note 6)	2,145,076	3,601,856
Interest income from related parties (Note 7)	1,173,535	1,194,764
Interest income from banks (Note 5)	1,467,142	830,453
Interest expense on acceptances (Note 13)	( 1,511,115)	( 1,153,207)
Interest expense on banks (Note 12)	( 6,577,893)	( 6,750,152)
Other financial charges	( 790,934)	( 907,910)
	<u>( 4,094,189)</u>	<u>( 3,184,196)</u>

**21. INCOME TAX EXPENSE**

This caption is composed of the following:

	<u>Year Ended</u> <u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Income tax expense – parent company	1,768,928	1,691,472
Tax on capital of Lebanese holding companies	6,800	6,800
Income tax on Rakha Trading L.L.C	137	3,420
	<u>1,775,865</u>	<u>1,701,692</u>

## 22. DISCONTINUED OPERATION

- (a) During 2016, the Group divested its shares in Lebanese Auto Agencies S.A.L. (previous subsidiary) for a total consideration received in kind by transfer of net assets from the subsidiary to the Parent Company of fair value in the amount of LBP2.35billion less amount paid to the subsidiary by LBP312million. This divestment resulted in an additional loss of LBP699million recorded under retained earnings during 2016.

Fair value of net assets transferred from subsidiary to RYMCO S.A.L.:

	<u>December 31,</u> <u>2016</u> <u>LBP' 000</u>
Trade receivables	691,739
Other receivables	388,930
Inventory	1,250,909
Property and equipment	68,614
Trade payables	( 53,735)
	<u>2,346,457</u>
	 <u>December 31,</u> <u>2016</u> <u>LBP' 000</u>
Investment in subsidiary disposed off	2,725,121
Fair value of net assets transferred from subsidiary to RYMCO S.A.L.	( 2,346,457)
Less: consideration paid	<u>320,660</u>
Loss on disposal	<u>699,324</u>

- (b) The Group has entered into an asset sale agreement on December 23, 2014 with Rose Kiln to sell the assets held at Rymco UK. The selling price agreed for the assets was GBP1,273,522 (equivalent to LBP'000 3,176,381) with a carrying net book value of GBP1,263,449 (equivalent to LBP'000 3,151,257) resulting in a gain on disposal of GBP10,073 (equivalent to LBP'000 25,124).

The net amount due from the Company as at December 31, 2015 and 2014 amounted to GBP451,299 (equivalent to LBP1billion).

	<u>LBP'000</u>
<b>Agreed value:</b>	
Property and equipment	662,145
Inventory - Cars	2,300,356
Inventory - Spare parts	213,880
Less: liabilities	( 2,050,764)
Agreed value of net assets disposed off	1,125,617
Additional support payment	<u>2,369,462</u>
Total consideration	<u>3,495,079</u>

**Book value:**

Property and equipment	637,021
Inventory - Cars	2,300,356
Inventory - Spare parts	213,880
Less: Liabilities	( 2,050,764)
Book value of net assets disposed off	<u>1,100,493</u>
Gain on disposal of net assets	<u>25,124</u>

The result of the discontinued operations of this subsidiary included in the result of the year are set out below:

	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Net sales	-	12,150,596
Cost of sales	-	(12,106,933)
Gross profit	-	43,663
Other revenues	-	<u>4,043,553</u>
	-	<u>4,087,216</u>
General and administrative expenses	( 44,860)	( 4,172,181)
Salaries, wages and related charges	( 28,830)	( 2,114,413)
Other expenses	( 9,191)	( 342,088)
Other income	<u>468,740</u>	<u>1,362,672</u>
	<u>385,859</u>	<u>( 5,266,010)</u>
Profit/(loss) for the year before income tax	385,859	( 1,178,794)
Income tax expense	-	-
Net profit/(loss) for the year from discontinued operations (before eliminations)	385,859	( 1,178,794)
Eliminations	-	<u>1,222,393</u>
Net profit for the year from discontinued operations (after eliminations)	<u>385,859</u>	<u>43,599</u>

**23. EARNINGS PER SHARE**

The calculation of earnings per share is based on the weighted average outstanding number of shares determined at 27,300,000 shares in 2016 and 2015.



## 24. SEGMENT REPORTING

The distribution of the profit or loss for the year ended December 31, 2016, by component is as follows:

	<u>Europe</u> LBP'000	<u>MENA</u> LBP'000	<u>Syria</u> LBP'000	<u>BVI</u> LBP'000	<u>Others</u> LBP'000	<u>Total Profit/(loss)</u> LBP'000	<u>Parent Company</u> LBP'000	<u>Total Before Elimination</u> LBP'000	<u>Eliminations</u> LBP'000	<u>Total After Eliminations</u> LBP'000
Profit/(loss) by country (Before Eliminations)	( 5,771,060)	7,029	317,683	( 9,269,766)	9,711,607	( 5,004,507)	8,817,580	3,813,073	5,687,825	9,500,898
Attributable to:										
Equity owners of the Group	( 1,802,879)	1,975	180,635	( 2,895,875)	9,755,462	5,239,318	8,817,580	14,056,898	( 4,885,508)	9,171,390
Non-controlling interests	( 3,968,181)	5,054	137,048	( 6,373,891)	( 43,855)	( 10,243,825)	-	( 10,243,825)	10,573,333	329,508
	<u>( 5,771,060)</u>	<u>7,029</u>	<u>317,683</u>	<u>( 9,269,766)</u>	<u>9,711,607</u>	<u>( 5,004,507)</u>	<u>8,817,580</u>	<u>3,813,073</u>	<u>5,687,825</u>	<u>9,500,898</u>

The allocation of assets and liabilities as of December 31, 2016, by component is as follows:

	<u>Parent Company</u> LBP'000	<u>Europe</u> LBP'000	<u>MENA</u> LBP'000	<u>AAA</u> LBP'000	<u>Syria</u> LBP'000	<u>BVI</u> LBP'000	<u>UAA</u> LBP'000	<u>Others</u> LBP'000	<u>Total Before Eliminations</u> LBP'000	<u>Eliminations</u> LBP'000	<u>Total After Eliminations</u> LBP'000
Current Assets	230,125,700	13,239	30,069	613,252	885,122	3,761,223	45,150	303,179	235,776,934	( 4,502,286)	231,274,648
Non-Current Assets	79,753,277	25,989,327	11,894,175	4,401,900	287,302	11,291,279	-	710,837	134,328,097	( 46,528,155)	87,799,942
Total Assets	<u>309,878,977</u>	<u>26,002,566</u>	<u>11,924,244</u>	<u>5,015,152</u>	<u>1,172,424</u>	<u>15,052,502</u>	<u>45,150</u>	<u>1,014,016</u>	<u>370,105,031</u>	<u>( 51,030,441)</u>	<u>319,074,590</u>
Current Liabilities	225,817,509	335,585	12,458,845	5,022,113	1,264,342	26,099,403	66,784	3,646,711	274,711,292	( 40,453,522)	234,257,770
Non-Current Liabilities	3,177,924	-	-	-	-	-	-	-	3,177,924	-	3,177,924
Total Liabilities	<u>228,995,433</u>	<u>335,585</u>	<u>12,458,845</u>	<u>5,022,113</u>	<u>1,264,342</u>	<u>26,099,403</u>	<u>66,784</u>	<u>3,646,711</u>	<u>277,889,216</u>	<u>( 40,453,522)</u>	<u>237,435,694</u>

The distribution of the profit or loss for the year ended December 31, 2015, by component is as follows:

	<u>Europe</u>	<u>MENA</u>	<u>LAA</u>	<u>Syria</u>	<u>BVI</u>	<u>UK</u>	<u>Others</u>	<u>Total Profit/(loss)</u>	<u>Parent Company</u>	<u>Total Before Elimination</u>	<u>Eliminations</u>	<u>Total After Eliminations</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Profit/(loss) by country (Before Eliminations)	(1,176,207)	( 9,861)	( 673,398)	75,467	( 652,143)	385,859	( 586,691)	(2,636,974)	9,169,224	6,532,250	2,331,390	8,863,640
Attributable to:												
Equity owners of the Group	( 367,447)	( 2,771)	( 336,699)	42,911	( 203,729)	120,542	( 586,691)	(1,333,884)	9,169,224	7,835,340	1,227,565	9,062,905
Non-controlling interests	( 808,760)	( 7,090)	( 336,699)	32,556	( 448,414)	265,317	-	(1,303,090)	-	( 1,303,090)	1,103,825	( 199,265)
	<u>(1,176,207)</u>	<u>( 9,861)</u>	<u>( 673,398)</u>	<u>75,467</u>	<u>( 652,143)</u>	<u>385,859</u>	<u>( 586,691)</u>	<u>(2,636,974)</u>	<u>9,169,224</u>	<u>6,532,250</u>	<u>2,331,390</u>	<u>8,863,640</u>

The allocation of assets and liabilities as of December 31, 2015, by component is as follows:

	<u>Parent Company</u>	<u>Europe</u>	<u>MENA</u>	<u>LAA</u>	<u>Syria</u>	<u>BVI</u>	<u>UK</u>	<u>Others</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Total After Eliminations</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Current Assets	213,856,620	3,668	30,069	3,549,847	1,808,584	14,854,773	1,283,345	213,249	235,600,155	( 14,389,381)	221,210,774
Non-Current Assets	90,043,832	31,637,153	11,894,175	129,337	738,305	13,737,632	-	643,331	148,823,765	( 56,145,946)	92,677,819
Total Assets	<u>303,900,452</u>	<u>31,640,821</u>	<u>11,924,244</u>	<u>3,679,184</u>	<u>2,546,889</u>	<u>28,592,405</u>	<u>1,283,345</u>	<u>856,580</u>	<u>384,423,920</u>	<u>( 70,535,328)</u>	<u>313,888,593</u>
Current Liabilities	220,255,072	202,781	12,465,875	8,424,439	2,803,880	31,938,923	12,414,701	2,911,869	291,417,540	( 61,702,193)	229,715,347
Non-Current Liabilities	4,766,078	-	-	214,557	-	-	-	-	4,980,635	-	4,980,635
Total Liabilities	<u>225,021,150</u>	<u>202,781</u>	<u>12,465,875</u>	<u>8,638,996</u>	<u>2,803,880</u>	<u>31,938,923</u>	<u>12,414,701</u>	<u>2,911,869</u>	<u>296,398,175</u>	<u>( 61,702,193)</u>	<u>234,695,982</u>

## **25. COMMITMENTS AND CONTINGENT LIABILITIES**

- a. The Group is involved in litigations arising in the ordinary course of its business. Based on the opinion of the Group's legal counsel, management believes that these legal cases do not have any material impact on the Company's operations.
- b. The Group had as at December 31, 2016 commitments and contingent liabilities in the form of letters of credit and letters of guarantee in the total amount of approximately LBP39.4billion and LBP19.9billion respectively out of which a letter of guarantee in the amount of USD7.2million equivalent to LBP10.85billion was provided to a bank in favor of Rasaria Real Estate Investment S.A.L., a non-consolidated related party (LBP27.7billion and LBP19.2billion, respectively in 2015).
- c. - The Parent Company's income tax returns for the years 2013 till 2016 are still subject to review by the tax authorities. The result of this review cannot be determined at present.
  - The Lebanese subsidiaries' accounts for the years 2012 till 2016 are still subject to review by the income tax authority. The result of this review cannot be determined at present.
  - The Lebanese entities' value added tax declarations for the years 2012 till 2016 are still subject to review by the tax authority, the result of which cannot be determined at present.
  - As well, other entities of the Group are still subject to examination by the tax authorities in accordance with the rules of the related countries. The result of this review cannot be determined at the present.

## **26. NON - CASH TRANSACTIONS**

The following non-cash transactions were excluded from the statement of cash flows for the year ended December 31, 2015:

- The increase in investment in associate in the amount of LBP682million against the due from subsidiaries and associate (Note 10 (b)).
- The sale of investment in associate in the amount of LBP490million against the increase in due from related parties (Note 10 (c)).
- The increase in provision for doubtful debts (Note 6) in the amount of LBP1.4billion against the decrease in other long term liabilities.

## **27. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

During 2015, the Group acquired additional 58,291 shares out of the 1,457,279 total shares issued and authorized in Rymco Europe S.A.L. (Holding) for a total consideration of LBP517million.

During 2016, the Group has invested in two newly established subsidiaries United Automotive Agencies S.A.L. and Associated Automotive Agencies S.A.L., owning 49.5% of the shares in each subsidiary.

During 2016, the Group divested its shares in Lebanese Auto Agencies S.A.L. (previous subsidiary) for a total consideration paid of LBP312million and transfer of net assets from the subsidiary to the Parent Company of fair value in the amount of LBP2.35billion. This divestment resulted in an additional loss of LBP699million recorded under retained earnings during 2016.

During 2015, the shareholders of the associate resolved to increase its capital in the amount of USD1,130,286 where the Group's share in the capital increase amounted to USD452,114 (equivalent to LBP682million) representing 40% of the total increase.

During 2015, the Group sold 15% of its share in the associate for a total consideration of USD424,992 (equivalent to LBP641million) of which USD100,000 (equivalent to LBP151million) was paid during 2015 and the remaining balance to be paid over two payments in the amount of USD150,000 (equivalent to LBP226million) in 2016 and USD174,992 (equivalent to LBP264million) in 2017 resulting in a gain in the amount of LBP159million reflected under "Gain on sale of share in associate" in the statement of profit or loss.

During 2016, the shareholders of the associate resolved to decrease its capital in the amount of USD1.4million where the Company's share in the capital decrease amounted to USD350,000 (equivalent to LBP528million) representing 25% of the total decrease.

## **28. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure its ability to continue as a going concern, while maximizing the return through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents, and equity consisting of capital, reserves, retained earnings, currency translation adjustment and non-controlling interests.

The Group 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 Group monitors capital on the basis of the net debt to equity ratio (gearing ratio). The gearing ratio as at December 31, 2016 and 2015 was as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Total liabilities	237,435,694	234,695,982
Less: Cash and banks	( 39,964,894)	( 54,932,998)
Net debt	<u>197,470,800</u>	<u>179,762,984</u>
Total equity	<u>81,638,896</u>	<u>79,192,611</u>
Gearing ratio	<u>2.4</u>	<u>2.3</u>

## **29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **(a) Fair Values of Financial Assets and Liabilities:**

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 may arise between carrying values and fair value estimates.

The fair values of the financial assets and financial liabilities approximate their carrying values at the end of the reporting period.

### **(b) Credit Risk:**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's credit risk is primarily attributable to its liquid funds and receivables. The amounts presented in the statement of financial position are stated at net realizable value, estimated by the Group's management based on past experience.

The Group does not have significant credit risk exposure to any single counterparty, except for the concentration of six customers constituting 62% of accounts receivables and five customers constituting 62% of notes receivable as at December 31, 2016.

### **(c) Interest Rate Risk:**

The Group's interest rates risk arises from the possibility that changes in market interest rates will affect the fair value of interest earning assets earning fixed interest rate (primarily notes receivable) and cash flow derived from interest bearing liabilities subject to floating interest rates on bank borrowings and fixed rates on notes payable.

### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial assets and liabilities subject to floating interest rates at the end of the reporting period assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended December 31, 2016 would decrease/increase between LBP1.3billion and LBP1.5billion.

#### (d) **Liquidity Risk:**

Liquidity risk is the risk that an institution 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 monitors the maturity profile of its financial assets and financial liabilities to ensure that adequate liquidity is maintained or made available, as necessary.

<u>December 31, 2016</u>	<u>One year or less LBP'000</u>	<u>More than one year LBP'000</u>	<u>Total LBP'000</u>
<u>Financial Assets:</u>			
Cash and banks	39,964,894	-	39,964,894
Notes and accounts receivable	70,162,789	20,444,725	90,607,514
Due from related parties	2,045,876	14,551,465	16,597,341
Other assets	<u>2,697,060</u>	-	<u>2,697,060</u>
Total	<u>114,870,619</u>	<u>34,996,190</u>	<u>149,866,809</u>
<u>Financial Liabilities:</u>			
Bank borrowings	65,181,525	1,670,375	66,851,900
Liabilities under acceptances and trade payables	143,509,122	-	143,509,122
Other current liabilities	13,209,552	-	13,209,552
Due to related parties	<u>5,017,923</u>	-	<u>5,017,923</u>
Total	<u>226,918,122</u>	<u>1,670,375</u>	<u>228,588,497</u>

<u>December 31, 2015</u>	<u>One year or less</u>	<u>More than one year</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
<b>Financial Assets:</b>			
Cash and banks	54,932,998	-	54,932,998
Notes and accounts receivable	71,403,339	28,680,111	100,083,450
Due from related parties	1,279,151	13,168,948	14,448,099
Other assets	<u>3,376,947</u>	-	<u>3,376,947</u>
Total	<u>130,992,435</u>	<u>41,849,059</u>	<u>172,841,494</u>
<b>Financial Liabilities:</b>			
Bank borrowings	59,677,819	3,102,125	62,779,944
Liabilities under acceptances and trade payables	129,800,798	-	129,800,798
Other current liabilities	11,789,670	-	11,789,670
Due to related parties	5,965,692	-	5,965,692
Other non-current liabilities	-	<u>148,187</u>	<u>148,187</u>
Total	<u>207,233,979</u>	<u>3,250,312</u>	<u>210,484,291</u>

(e) **Currency Risk:**

The Group's currency risk is mainly attributable to the possibility that changes in currency rates will affect its financial position and cash flows; as disclosed in Note 13, the Group is exposed to foreign exchange risks resulting from notes payable stated in Japanese Yen that may occur at the settlement dates and providing the U.S. Dollar remains stable. Also, the financial assets and financial liabilities of the Group's subsidiaries are in U.S. Dollar, Pound Sterling (GBP) and Syrian Pound (SYP) which may expose the Group to exchange rate risk. The Group is not currently using significant financial instruments to hedge such risk.

**30. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issuance on May 19, 2017.