RASAMNY YOUNIS MOTOR CO. S.A.L.

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

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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 financial statements of Rasamny Younis Motor Co. S.A.L. which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 (M) and 21 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 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 29, 2018

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RASAMNY YOUNIS MOTOR CO. S.A.L.
STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Current Assets:			
Cash and banks	5	12,648,372	35,930,280
Notes and accounts receivable – current	6	64,163,712	69,393,864
Due from subsidiaries and associate – current portion	7	6,168,211	1,999,369
Due from related parties	7	4,555,027	3,635,847
Inventories	8	79,071,315	107,751,125
Prepayments and other assets	9	10,976,224	11,415,215
Total current assets		177,582,861	230,125,700
Non-Current Assets:			
Notes and other receivables – non-current	6	20,620,287	20,444,725
Due from related parties – non-current	7	16,218,659	14,551,465
Investment in equity securities		477,543	477,543
Investment in subsidiaries	10	15,197,131	8,644,650
Investment in associate	11	87,525	275,226
Property and equipment	12	34,794,194	35,058,168
Intangible assets		301,500	301,500
Total non-current assets		87,696,839	79,753,277
Total Assets		265,279,700	309,878,977
LIABILITIES			
Current Liabilities:			
Bank borrowings	13	77,899,238	63,679,605
Subsidized loan – current portion	16	1,431,750	1,431,750
Liabilities under acceptances	14	57,116,127	123,770,789
Trade accounts payable	17	22,104,233	19,404,741
Accrued expenses and other liabilities	15	15,467,993	16,868,122
Due to shareholders	7	874,236	610,273
Due to an associate and related parties	7	2,630,269	52,229
Total current liabilities		177,523,846	225,817,509
Non-Current Liabilities:			
Subsidized loan – non-current portion	16	238,625	1,670,375
Provision for employees' end-of-service indemnity	18	1,652,220	1,507,549
Total non-current liabilities		1,890,845	3,177,924
Total Liabilities		179,414,691	228,995,433
EQUITY			
Capital	19	27,300,000	27,300,000
Legal reserve	20	9,100,000	9,100,000
Change in fair value of investments held at fair value through other comprehensive income	10	(12,645,192)	(14,665,093)
Retained earnings		62,110,201	59,148,637
		85,865,009	80,883,544
Total Equity and Liabilities		265,279,700	309,878,977

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

RASAMNY YOUNIS MOTOR CO. S.A.L.
STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended December 31, 2017 LBP'000	Year Ended December 31, 2016 LBP'000
Sales	21	351,920,012	377,791,478
Cost of sales	21	(307,742,703)	(333,658,215)
Gross profit		44,177,309	44,133,263
Other revenues		2,684,907	3,592,195
		46,862,216	47,725,458
General and administrative expenses	7,22	(9,547,366)	(9,473,300)
Advertising and selling expenses		(6,423,491)	(5,881,814)
Salaries, wages and related charges	7,23	(13,221,458)	(13,564,383)
Depreciation	12	(3,074,234)	(2,925,934)
Provision for slow moving inventories	8	(294,500)	(296,804)
Direct write-off of due from related parties	7	(380,644)	(428,014)
Net interest expense and financial charges	24	(4,669,158)	(3,780,946)
Net gain/(loss) on foreign exchange		199,540	(258,288)
Other expenses		(537,186)	(529,468)
		(37,948,497)	(37,138,951)
Profit before tax	15	8,913,719	10,586,507
Income tax expense	15	(1,556,855)	(1,768,928)
Profit for the year		7,356,864	8,817,579
Earnings per share in LBP	25	269	323

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

	Year Ended December 31,	
	2017	2016
	LBP'000	LBP'000
Profit for the year	7,356,864	8,817,579
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Change in fair value of investments held at fair value through other comprehensive income – Note 10	2,019,901	(2,308,836)
Total comprehensive income for the year	9,376,765	6,508,743

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

RASAMNY YOUNIS MOTOR CO. S.A.L.
STATEMENT OF CHANGES IN EQUITY

	Capital LBP'000	Legal Reserve LBP'000	Change in Fair Value of Investments LBP'000	Retained Earnings LBP'000	Total LBP'000
Balance - January 1, 2016	27,300,000	9,100,000	(14,926,917)	57,406,218	78,879,301
Dividends declared - Note 15	-	-	-	(4,504,500)	(4,504,500)
Disposal of investments held at fair value through other comprehensive income (Note 10)	-	-	2,570,660	(2,570,660)	-
Total comprehensive income for the year 2016	-	-	(2,308,836)	8,817,579	6,508,743
Balance - December 31, 2016	27,300,000	9,100,000	(14,665,093)	59,148,637	80,883,544
Dividends declared - Note 15	-	-	-	(4,395,300)	(4,395,300)
Total comprehensive income for the year 2017	-	-	2,019,901	7,356,864	9,376,765
Balance - December 31, 2017	27,300,000	9,100,000	(12,645,192)	62,110,201	85,865,009

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

RASAMNY YOUNIS MOTOR CO. S.A.L.
STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2017 LBP'000	2016 LBP'000
Cash flows from operating activities:			
Profit for the year		7,356,864	8,817,579
Depreciation	12	3,074,234	2,925,934
Provision for slow moving spare parts	8	294,500	296,804
Direct write-off of due from related parties	7	380,644	428,014
Interest income		(4,594,797)	(5,017,272)
Interest expense		9,263,955	8,798,218
Provision for employees' end-of-service indemnity	18	743,560	531,889
Loss on disposal of property and equipment		141,200	114,446
		16,660,160	16,895,612
Decrease in notes and accounts receivable		5,054,590	7,760,101
Decrease/(increase) in inventories		28,385,310	(26,517,261)
Decrease/(increase) in prepayments and other assets		438,991	(561,896)
(Decrease)/increase in liabilities under acceptances		(66,654,662)	21,000,266
Decrease in trade accounts payable and other liabilities		(427,721)	(20,967,126)
Net change in related parties' and subsidiaries' accounts		(1,713,600)	(2,604,178)
Interest received		2,014,540	3,683,763
Interest paid		(9,263,955)	(8,798,218)
Settlement of employees' end-of-service indemnity	18	(598,889)	(688,294)
Net cash used in operating activities		(26,105,236)	(10,797,231)
Cash flows from investing activities:			
Proceeds from sale of an investment in associate	11	187,701	527,625
Increase in investment in subsidiaries	10	(4,532,580)	(29,700)
(Increase)/decrease in cash collateral and blocked margin	5	(74,085)	7,659,867
Net change in subsidiaries investments accounts	10	-	1,690,829
Acquisition of property and equipment	12	(4,153,587)	(4,754,175)
Acquisition of intangible assets		-	(301,500)
Proceeds from sale of property and equipment		1,202,127	1,008,417
Net cash (used in)/generated by investing activities		(7,370,424)	5,801,363
Cash flows from financing activities:			
Dividends paid	15	(2,668,216)	(4,482,034)
Increase in bank borrowings and loans		12,787,883	4,324,392
Net cash generated by/(used in) financing activities		10,119,667	(157,642)
Net decrease in cash and cash equivalents	5	(23,355,993)	(5,153,510)
Cash and cash equivalents - Beginning of the year	5	33,485,983	38,639,493
Cash and cash equivalents - End of the year	5	10,129,990	33,485,983

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

1. FORMATION AND OBJECTIVE OF THE COMPANY

Rasamny Younis Motor Co. S.A.L. 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 Company's major shareholder is Fayez Camille Rasamny with an ownership of around 53%.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements.

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

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

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

Amendments to IAS 7 *Disclosure Initiative*

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

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

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for Annual Periods Beginning on or After
Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1 and IAS 28.	January 1, 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	January 1, 2019
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	January 1, 2018

New and revised IFRSs	Effective for Annual Periods Beginning on or After
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
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.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement* was issued in July 2014. 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. The Company did not early adopt the classification and measurement requirements of IFRS 9 and therefore will be applying them at the date of application (January 1, 2018) after it had completed its assessment and had classified its financial assets at fair value through other comprehensive income consistent with the business model for managing these financial assets on the basis of facts and circumstances that exist. Worth mentioning that based on that model financial assets will continue to be measured on the same basis as is currently adopted under IAS 39.

New and revised IFRSs	Effective for Annual Periods Beginning on or After
• **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 recognized. The Company expects to apply the simplified approach to recognize lifetime expected credit losses for its notes and accounts receivables as required or permitted under IFRS 9. Overall, the Company does not expect the combined impact of IFRS 9 transitional impairment adjustments inclusive of notes and accounts receivables and debt securities, on equity to be more than LBP500million and is not considered significant by management. The Company continues to refine the impairment models and related processes leading up to June 30, 2018.	
• **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.	
Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.	
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:	

New and revised IFRSs	Effective for Annual Periods Beginning on or After
• Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	
Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
IFRS 16 *Leases*	January 1, 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

New and revised IFRSs	Effective for Annual Periods Beginning on or After
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance:

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

B. Basis of Preparation:

The financial statements have been prepared on the historical cost basis except for the investments in subsidiaries which are accounted for at fair value as disclosed below.

The financial statements are presented in Lebanese Pounds (LBP) which is the official reporting currency, whereas the functional currency of the Company is the U.S. Dollar (USD). The exchange rate of the USD against the LBP has been constant since many years.

C. Foreign Currencies:

Transactions during the year, including income and expenses, originated in foreign currencies are translated into Lebanese Pound during the period at the rates of exchange prevailing at the date of transaction. Monetary Assets and Liabilities denominated in foreign currencies are retranslated into Lebanese Pound using the exchange rates at the end of the reporting period. Resulting exchange differences are included in the statement of profit or loss.

D. Notes and Accounts Receivable:

Notes and accounts receivable are reflected in the 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 Company 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.

E. 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.

The Company 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 custom duties. Cost of inventory includes purchase cost and other costs to bring inventory to its present location. Other costs include the customs duties paid.

F. Dividends:

Dividends are recorded when authorized.

G. Investments in Subsidiaries:

Subsidiaries are entities that the Company controls. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

On initial recognition, the Company made an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI"). Investments in equity instruments at FVTOCI are measured at fair value. Gains and losses on such equity instruments are recognized in other comprehensive income, accumulated in equity and are never reclassified to profit or loss. Only dividend income is recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

H. Investment in Associate:

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

l. Property and Equipment:

Property and equipment are stated at historical 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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 their estimated useful lives, using the straight-line method, as follows:

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

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 the statement of profit or loss.

J. Intangible Assets:

Intangible assets acquired are identified and recognized where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Intangible assets with indefinite lives are initially recognized at cost and are subsequently measured at cost less impairment, if any.

K. 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 Company estimates the recoverable amount of an individual asset, the company 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 the statement of 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.

L. Impairment of Intangible Assets:

At each reporting date, the carrying amounts of tangible and intangible 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 recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is reviewed.

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.

M. 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company 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;

Rendering of services

Revenues from services are recognized when these services are preformed and earned.

Interest income

Interest income is accrued on a time 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.

N. Employees' End-of-Service Indemnity:

Contributions paid regularly by the Company 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 Company follows the policy of accruing for the indicated differences at the statement of financial position date.

O. Management Bonuses:

The Company follows a policy for key management personnel by charging these amounts to the statement of profit or loss in the year when they are authorized and paid.

P. Income Tax:

The 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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.
Other taxes are withheld and recorded in accordance with related applicable tax rules.

Q. Borrowing Costs:

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

R. Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

a - Warranty:

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

S. Financial Instruments – Recognition and Measurement:

Financial assets

Financial assets are recognized on the Company's statement of financial position when the Company 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.

Investment in equity securities

Available-for-sale investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

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 Company 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company 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 Company are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Trade and other payables

Trade and other payables are measured at their amortized 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 Company derecognizes financial liabilities when, and only when, the Company'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 Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits 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 Company 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 Company 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 Company 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.

4. JUDGMENTS AND USE OF ESTIMATES

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

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 Company 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 as it is deemed immaterial.

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, degree of aging or obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

5. CASH AND BANKS

This caption included the following:

	December 31,	
	2017	**2016**
	LBP'000	**LBP'000**
Current deposits with banks	5,265,869	3,903,628
Margins against letters of credit	681,328	14,038,744
	5,947,197	17,942,372
Term deposits with banks (a)	2,722,587	13,760,771
Cash on hand	550,797	558,491
Checks for collection	909,409	1,224,349
Total cash and cash equivalents	10,129,990	33,485,983
Blocked margins against guarantees (b)	2,518,382	2,444,297
	12,648,372	35,930,280

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

(a) Term deposits and cash collateral with banks have original maturities not exceeding 3 months and are subject to interest rates between 3.5% and 5.5% per annum for the year ended December 31, 2017 (between 3.5% and 7% for the year 2016). Interest income earned on these deposits amounted to LBP340million for the year ended December 31, 2017 (LBP1.45billion for the year 2016) recorded as "Interest income from banks" under "Net interest expense and financial charges" (Note 24) in the statement of profit or loss.

(b) Blocked margins against guarantees are denominated in U.S.Dollar 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:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Current:		
Notes receivable - net	11,159,044	24,348,458
Accounts receivable – clients cars	14,441,698	13,655,890
Accounts receivable – dealers cars	8,459,171	6,280,517
Accounts receivable – related parties cars	26,191,658	24,346,250
Advances to employees	238,645	304,585
Other receivables	9,357,814	7,842,210
Less: Allowance for doubtful notes and accounts receivable	(5,684,318)	(7,384,046)
	64,163,712	69,393,864
Non-current:		
Notes receivable – net	5,336,219	3,695,721
Notes and other receivables held as a residual interest in the sale of portfolio of notes	10,760,288	12,225,224
Notes and other receivables held as a residual interest in the sale of portfolio of new cars	4,523,780	4,523,780
	20,620,287	20,444,725
Total notes and accounts receivables	84,783,999	89,838,589

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

	Net Notes Receivable LBP(billion)	Unearned Interest LBP(billion)
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 3 and 4)	28.20	(4.76)
2017 (Compartment 4)	19.50	(3.22)

The Company holds control of the notes transferred for the aggregate amount of LBP8.39billion (LBP10.1billion in 2016). A reserve account was deposited for an amount of LBP2.37billion (LBP2.18billion in 2016). The total of these receivables from the financial institution (manager of the securitization transaction) amounting to LBP10.76billion (LBP12.23billion in 2016) were classified as non-current receivables as of December 31, 2017 and 2016. The revolving period of the three agreements is three years. The final settlement date of the first and second agreements are December 31, 2018 and 2019, respectively, and 2023 for the third and fourth agreements.

The Company 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.

Other receivables include as of December 31, 2017 an aggregate balance of LBP3billion (LBP2.37billion in 2016) representing outstanding balance of claims due from insurance companies.

During 2017, interest income of notes receivables not held as residual interest amounted to LBP896million (LBP1.53billion in 2016) reflected under "Net interest expense and financial charges" (Note 24) in statement of profit or loss.

Notes receivable (current and non-current aggregating LBP11.16billion and LBP20.62billion, respectively in 2017) (LBP24.3billion and LBP20.44billion, respectively in 2016) consist of the following:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Notes receivable under the Company's custody	15,259,028	15,676,795
Notes receivable from related parties (Note 7)	3,043,174	13,672,280
Total Notes Receivable at face value	18,302,202	29,349,075
Less: Unearned interest	(1,806,939)	(1,304,896)
	16,495,263	28,044,179
Notes and other receivables held as a residual interest in the sale of portfolio of notes	10,760,288	12,225,224
Notes and other receivables held as a residual interest in the sale of portfolio of new cars	4,523,780	4,523,780
	31,779,331	44,793,183

Notes receivable, net of unearned interest, as of December 31, 2017 carry the following maturities:

	Notes Receivable LBP'000	Unearned Interest LBP'000	Net LBP'000
Current:			
Overdue notes	5,859,980	(630,081)	
2018	6,598,644	(669,499)	
Total Current	12,458,624	(1,299,580)	11,159,044
Non-Current:			
2019	3,416,909	(347,226)	
2020	1,931,398	(133,496)	
2021	347,675	(20,827)	
2022 and after	147,596	(5,810)	
Total non-current	5,843,578	(507,359)	5,336,219
Total	18,302,202	(1,806,939)	16,495,263

Notes receivable, net of unearned interest, as of December 31, 2016 carry the following maturities:

	Notes Receivable LBP'000	Unearned Interest LBP'000	Net LBP'000
Current:			
Overdue notes	5,697,906	(543,579)	
2017	19,668,426	(474,294)	
Total Current	25,366,332	(1,017,873)	24,348,459
Non-Current:			
2018	2,438,063	(224,547)	
2019	1,393,219	(51,554)	
2020	103,898	(8,575)	
2021 and after	47,563	(2,347)	
Total non-current	3,982,743	(287,023)	3,695,720
Total	29,349,075	(1,304,896)	28,044,179

Accounts receivable clients, dealers and related parties as of December 31, 2017 are distributed among customers as follows:

Brackets	No. of Customers	LBP'000	% of Total
Up to LBP50million	3,139	6,802,727	14
LBP50million to LBP100million	45	2,913,303	6
LBP100million to LBP500million	43	8,850,342	18
LBP500million to LBP1billion	5	3,610,911	7
LBP1billion up till LBP5billion	2	2,263,795	5
LBP5billion up till LBP10billion	1	9,374,686	19
More than LBP10billion	1	15,276,763	31
	3,236	49,092,527	100

Accounts receivable clients, dealers and related parties as of December 31, 2016 are distributed among customers as follows:

Brackets	No. of Customers	LBP'000	% of Total
Up to LBP50million	2,495	7,864,886	18
LBP50million to LBP100million	41	2,732,298	6
LBP100million to LBP500million	30	6,255,541	14
LBP500million to LBP1billion	3	1,915,532	4
LBP1billion up till LBP5billion	2	2,954,034	7
More than LBP5billion	1	22,560,366	51
	2,572	44,282,657	100

Notes receivable at face value as of December 31, 2017 are distributed among customers as follows:

Brackets	No. of Customers	LBP'000	% of Total
Up till LBP50million	444	3,510,482	19
LBP50million up till LBP100million	22	1,582,405	9
LBP100million up till LBP500million	22	5,127,986	28
LBP1billion up till LBP5billion	4	8,081,329	44
	492	18,302,202	100

Notes receivable at face value as of December 31, 2016 are distributed among customers as follows:

Brackets	No. of Customers	LBP'000	% of Total
Up till LBP50million	449	4,010,424	14
LBP50million up till LBP100million	21	1,439,881	5
LBP100million up till LBP500million	23	4,950,723	17
LBP500million up till LBP1billion	1	613,010	2
LBP1billion up till LBP5billion	4	7,925,377	27
More than LBP10billion	1	10,409,660	35
	499	29,349,075	100

Overdue notes amounting to LBP5.9billion in 2017 (LBP5.7billion in 2016) were outstanding as follows:

	2017 LBP(million)	2016 LBP(million)
More than one year	5,208	4,172
Between 6 and 12 months	294	595
Between 3 and 6 months	150	352
Less than 3 months	207	579
	5,859	5,698

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

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

	2017 LBP'000	2016 LBP'000
Balance -- beginning of the year	7,384,046	7,446,104
Write-off of bad debts	(1,699,895)	(62,058)
Write-back of doubtful receivables	167	-
Balance -- end of the year	5,684,318	7,384,046

During 2017, the Company transferred control of new cars aggregating to LBP21.5billion (excluding VAT and custom duty) (LBP20.1billion for the year 2016) to a financial institution in accordance with a sale and purchase agreement. The sale was recognized at cost. The Company holds control of the new cars transferred for the aggregate amount of LBP9billion as of December 31, 2017 (LBP9.5billion as of December 31, 2016). The total of these receivables from the financial institution (manager of the securitization transaction) amounting to LBP4.5billion as of December 31, 2017 (LBP4.5billion as of December 31, 2016), were classified as non-current receivables as of December 31, 2017. The final settlement date of this agreement is on June 30, 2020. During 2017, interest income amounted to LBP779million, net of tax (LBP610million for the year 2016) reflected under "Net interest expense and financial charges" (Note 24) in the statement of profit or loss of which a receivable balance of LBP769million was outstanding and reflected under "Other receivables - current" as of December 31, 2017 (LBP769million as of December 31, 2016). In addition, a receivable balance of LBP431million as of December 31, 2017 (LBP434million as of December 31, 2016) due from the latter was reflected under "Other receivables – current".

The Company 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, 2017 amounted to LBP33million (LBP33million in 2016) 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, 2017 is LBP380million (LBP49million as of December 31, 2016) included under "Other liabilities" under "Accrued expenses and other liabilities" (Note 15) and was fully settled subsequently.

The fees outstanding resulting from this agreement amounted to LBP202million as of December 31, 2016 (Nil for the year 2017) reflected under "Prepayments and other assets", to be amortized over 4 years (Note 9). Amortization fees for the year ended December 31, 2017 amounted to LBP202million (LBP202million for the year 2016) included under "Professional fees" under "General and administrative expenses" in the statement of profit or loss (Note 22).

7. RELATED PARTY BALANCES AND TRANSACTIONS

The Company enters into transactions with companies and entities that fall within the definition of a related party as defined by International Accounting Standard No. 24: Related Party disclosures. Related parties comprise companies under common ownership and/or common management and control and key management personnel.

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

	December 31,	
	2017	2016
	LBP'000	LBP'000
Due from related parties – current portion:		
RY Properties S.A.L.	1,523,225	995,856
Lebanese Led Technologies S.A.L.	-	43,055
Global Vehicles Trading LLC	482,400	-
Others	2,549,402	2,596,936
	4,555,027	3,635,847
Due from related parties – non-current portion:		
Rasaria Real Estate Investment S.A.L.	16,218,659	14,551,465
Due from subsidiaries and associate:		
Rymco Cyprus Limited	27,520	15,942
Rymco Europe S.A.L. (Holding Company)	316,552	189,922
Rymco International Limited	-	123,618
Associated Automotive Agencies S.A.L. (Note 10)	1,615,009	1,596,470
United Automotive Agencies S.A.L. (Note 10)	4,209,130	73,417
	6,168,211	1,999,369
Due to shareholders:		
Shareholders' accounts	874,236	610,273
Due to an associate and related parties:		
Rymco International Limited	2,630,269	-
Other	-	52,229
	2,630,269	52,229

In addition to the above, notes and accounts receivable as of December 31, 2017 include notes receivables in the aggregate amount of LBP29.14billion (LBP39.02billion in 2016) (Note 6) that are due from related parties for which the related interest income is equal to the aggregate amount of LBP223million (LBP341million in 2016)

Related Party Transactions:

Net sales during 2017 include sales to shareholders and related parties in the total amount of LBP121billion (LBP143.19billion in 2016).

Purchases during 2017, include purchases from related parties in the total amount of LBP215million (Nil in 2016).

The Company incurred during 2017 insurance expenses against fire, hospitalization, cash in transit and other risks from an insurance company, majorly owned by a shareholder, for a total of LBP348million (LBP364million in 2016). In addition, the same related party provided the Company with other forms of insurance coverage on behalf and to the order of its customers.

Furthermore, the Company was charged car leasing from a related party for an amount of LBP29.1million in 2017 reflected as "Rent charges" under "General and administrative expenses" in the statement of profit or loss (LBP43.39million in 2016) (Note 22).

During 2017, the Company charged interest on related parties outstanding receivable balances for an amount of LBP2.58billion reflected under "Net interest expense and financial charges" in the statement of profit or loss (LBP1.43billion in 2016) (Note 24).

Moreover, the Company was charged legal fees from a shareholder for an amount of LBP30million for the year ended December 31, 2017 (LBP30million in 2016) reflected as "Legal expenses" under "General and administrative expenses" (Note 22) in the statement of profit or loss.

In addition, the Company was charged consultancy fees from a related party for an amount of LBP126million for the year ended December 31, 2017 (LBP126million in 2016) reflected as "Professional fees" under "General and administrative expenses" (Note 22) in the statement of profit or loss.

During 2017, the Company has written-off a receivable balance due from Clean & Gleam S.A.L. a related party in the amount of LBP3.6million (LBP428million in 2016) in addition to the write-off of a receivable balance due from Quick Fix S.A.L. a related party recorded under "Direct write-off of due from related parties in the amount of LBP377million (Nil in 2016) in the statement of profit or loss.

Remunerations, salaries and benefits of key management personnel are summarized as follows:

	2017	**2016**
	LBP'000	**LBP'000**
Chairman of the board	1,327,401	1,340,741
After sales manager (shareholder and board member)	484,032	524,409
	1,811,433	1,865,150

8. INVENTORIES

This caption is composed of the following:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
New cars	31,078,447	39,705,536
Used traded-in cars	5,807,651	4,351,483
Provision for impairment of used cars	(317,880)	(439,166)
	36,568,218	43,617,853
Spare parts	18,501,407	17,185,838
Provision for slow moving spare parts	(2,861,377)	(2,566,877)
	15,640,030	14,618,961
Marine boats	208,930	704,707
Motorcycles and jet-skis	648,401	762,317
Fuel and oil	105,317	52,573
Goods in transit	25,900,419	47,994,714
	42,503,097	64,133,272
Total	79,071,315	107,751,125

The movement of the provision for impairment of used cars was as follows:

	2017 LBP'000	2016 LBP'000
Opening balance	439,166	330,000
Transfer from a related party	-	224,832
Write-off	(121,286)	(115,666)
Ending balance	317,880	439,166

The movement of the provision for slow moving spare parts was as follows:

	2017 LBP'000	2016 LBP'000
Opening balance	2,566,877	2,270,073
Additions	294,500	296,804
Ending balance	2,861,377	2,566,877

Goods in transit are accrued for and recorded under trade accounts payable.

The total balance of outstanding inventory for which the custom duties were paid as at December 31, 2017 is equal to LBP7.1billion (LBP11.9billion in 2016).

9. PREPAYMENTS AND OTHER ASSETS

This caption is composed of the following:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Prepaid marketing fees	824,616	1,981,371
Prepaid insurance	228,371	205,386
Prepaid expenses on rent lands	335,591	378,831
Prepaid rent	598,396	537,844
Prepaid expenses on new cars sold	2,558,645	2,782,727
Advance payments to suppliers	2,521,231	1,400,130
Accrued incentive income from suppliers	2,418,599	2,697,060
Deferred charges from securitization of new cars transaction (Note 6)	-	201,661
Other assets	1,490,775	1,230,205
	10,976,224	11,415,215

10. INVESTMENTS IN SUBSIDIARIES

This section consists of:

	2017			2016		
	% of Ownership	Carrying Value LBP'000	Fair Value LBP'000	% of Ownership	Carrying Value LBP'000	Fair Value LBP'000
Rymco Europe S.A.L. (Holding)	100.00%	12,355,058	14,383,682	68.76%	10,216,029	8,614,950
Associated Automotive Agencies S.A.L.	100.00%	30,000	30,000	49.50%	14,850	14,850
United Automotive Agencies S.A.L.	100.00%	783,449	783,449	49.50%	14,850	14,850
Rymco Mena S.A.L. (Holding)	71.90%	8,723	-	71.90%	8,433	-
		13,177,230	15,197,131		10,254,162	8,644,650

In 2017, the Company acquired the remaining 31.24% shares of Rymco Europe S.A.L. (Holding) for a total consideration of LBP3.74billion.

In 2017, the Company acquired the remaining 50.5% shares of United Automotive Agencies S.A.L. and Associated Automotive Agencies S.A.L. for a total consideration of LBP784million.

In 2016, the Company 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 Company divested its shares in Lebanese Auto Agencies S.A.L. (previous subsidiary) for a total consideration of LBP312million. This divestment resulted in an additional loss of LBP699million recorded under other comprehensive loss during 2016. The cumulative change in fair value accumulated under other comprehensive loss in the amount of LBP2.57bilion was recycled to retained earnings.

The Company recorded in 2010 its investment in a subsidiary Rymco Mena S.A.L. (Holding Company) established in late 2009 with a total capital of USD20,000 and ownership interest of 71.9%. The cost of this investment amounted to LBP21.7million. The balance due from this subsidiary is fully impaired after revaluation during 2015 (LBP766million as of December 31, 2014) represents the financing of the subsidiary's operations whose initial intended purpose was to carry operations in Syria through acquiring share in an established entity.

In 2008, the Company has incorporated a subsidiary Rymco Europe S.A.L. (Holding Company). The purpose of this subsidiary is to invest in entities outside Lebanon whose ultimate purpose is to carry operating activities in the United Kingdom for the distribution of Infiniti cars by virtue of license of distributorship granted by the car maker to the subsidiary.

As disclosed in Note 3 (G) under the accounting policies, the Company elected to apply fair value option for accounting of investments in subsidiaries, detailed as below:

	December 31, 2017		
	Carrying Value LBP'000	Fair Value LBP'000	Change in Fair Value LBP'000
Rymco Europe S.A.L. (Holding)	12,355,058	14,383,682	2,028,624
Rymco Mena S.A.L. (Holding)	8,723	-	(8,723)
Associated Automotive Agencies S.A.L.	30,000	30,000	-
United Automotive Agency S.A.L.	783,449	783,449	-
	13,177,230	15,197,131	2,019,901

	December 31, 2016		
	Carrying Value LBP'000	Fair Value LBP'000	Change in Fair Value LBP'000
Rymco Europe S.A.L. (Holding)	10,216,029	8,614,950	(1,601,079)
Rymco Mena S.A.L. (Holding)	8,433	-	(8,433)
Associated Automotive Agencies S.A.L.	14,850	14,850	-
United Automotive Agency S.A.L.	14,850	14,850	-
	10,254,162	8,644,650	(1,609,512)

11. INVESTMENT IN ASSOCIATE

The movement of investment in associate for the year ended December 31, 2017 and 2016 is as follows:

	2017 LBP'000	2016 LBP'000
Opening Balance	275,226	802,851
Company's share of losses from associate (Note 22)	(119,863)	-
Decrease in associate capital	(67,838)	(527,625)
Ending Balance	87,525	275,226

During 2017, the shareholders of the associate resolved to decrease its capital in the amount of USD180thousand (USD1.4million during 2016) where the Company's share in the capital decrease amounted to USD45,000 equivalent to LBP68million (USD350,000 equivalent to LBP528million during 2016) representing 25% of the total decrease.

Accordingly, total share of the Company in the associate as of December 31, 2017 is 25% (25% as of December 31, 2016).

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

	(Unaudited) December 31,	
	2017 LBP'000	2016 LBP'000
Total assets	845,057	920,630
Total liabilities	494,953	23,248
Net assets	350,104	897,382
Company's share in associate	25%	25%
Company's share of net assets of associate	87,551	224,346

	(Unaudited) Year Ended December 31,	
	2017 LBP'000	2016 LBP'000
Total revenue	602,526	952,818
Net loss for the year	(275,928)	(89,106)
Company's share in associate	25%	25%
Company's share of loss of associate	(68,982)	(22,277)

12. PROPERTY AND EQUIPMENT

This caption includes the following:

2017:

	Premises and Warehouses LBP'000	General Installations LBP'000	Garage Tools LBP'000	Vehicles LBP'000	Computer and Office Equipment LBP'000	Furniture and Fixtures LBP'000	Total depreciable Assets LBP'000	Advances on Fixed Assets LBP'000	Land LBP'000	Total LBP'000
Cost or Revaluation:										
Balance as of January 1, 2017	16,395,543	16,653,801	4,877,675	6,163,881	5,155,069	1,429,825	50,675,794	750,297	8,002,415	59,428,506
Additions	-	763,068	106,132	2,259,578	226,829	47,582	3,403,189	750,398	-	4,153,587
Disposal	-	-	-	(1,693,859)	-	-	(1,693,859)	-	-	(1,693,859)
Transfers	-	1,473,029	-	-	-	-	1,473,029	(1,473,029)	-	-
Balance as of December 31, 2017	16,395,543	18,889,898	4,983,807	6,729,600	5,381,898	1,477,407	53,858,153	27,666	8,002,415	61,888,234
Accumulated Depreciation:										
Balance as of January 1, 2017	(5,931,859)	(8,561,460)	(2,600,534)	(2,159,329)	(4,106,764)	(1,010,392)	(24,370,338)	-	-	(24,370,338)
Additions - Charge of the year	(921,727)	(773,992)	(351,340)	(618,799)	(335,748)	(72,628)	(3,074,234)	-	-	(3,074,234)
Disposal	-	-	-	350,532	-	-	350,532	-	-	350,532
Transfers	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2017	(6,853,586)	(9,335,452)	(2,951,874)	(2,427,596)	(4,442,512)	(1,083,020)	(27,094,040)	-	-	(27,094,040)
Net Book Value:										
As of December 31, 2017	9,541,957	9,554,446	2,031,933	4,302,004	939,386	394,387	26,764,113	27,666	8,002,415	34,794,194
As of December 31, 2016	10,463,684	8,092,341	2,277,141	4,004,552	1,048,305	419,433	26,305,456	750,297	8,002,415	35,058,168

2016:

	Premises and Warehouses LBP'000	General Installations LBP'000	Garage Tools LBP'000	Vehicles LBP'000	Computer and Office Equipment LBP'000	Furniture and Fixtures LBP'000	Total depreciable Assets LBP'000	Advances on Fixed Assets LBP'000	Land LBP'000	Total LBP'000
Cost or Revaluation:										
Balance as of January 1, 2016	16,278,729	14,454,478	4,636,919	5,259,655	4,979,194	1,338,503	46,947,478	1,282,868	8,002,415	56,232,761
Additions	116,814	977,367	240,756	2,462,656	175,875	58,074	4,031,542	722,633	-	4,754,175
Disposal	-	-	-	(1,558,430)	-	-	(1,558,430)	-	-	(1,558,430)
Transfers	-	1,221,956	-	-	-	33,248	1,255,204	(1,255,204)	-	-
Balance as of December 31, 2016	16,395,543	16,653,801	4,877,675	6,163,881	5,155,069	1,429,825	50,675,794	750,297	8,002,415	59,428,506
Accumulated Depreciation:										
Balance as of January 1, 2016	(5,010,132)	(7,825,290)	(2,254,849)	(2,094,000)	(3,759,351)	(936,349)	(21,879,971)	-	-	(21,879,971)
Additions - Charge of the year	(921,727)	(738,165)	(345,685)	(500,896)	(347,413)	(72,048)	(2,925,934)	-	-	(2,925,934)
Disposal	-	-	-	435,567	-	-	435,567	-	-	435,567
Transfers	-	1,995	-	-	-	(1,995)	-	-	-	-
Balance as of December 31, 2016	(5,931,859)	(8,561,460)	(2,600,534)	(2,159,329)	(4,106,764)	(1,010,392)	(24,370,338)	-	-	(24,370,338)
Net Book Value:										
As of December 31, 2016	10,463,684	8,092,341	2,277,141	4,004,552	1,048,305	419,433	26,305,456	750,297	8,002,415	35,058,168
As of December 31, 2015	11,268,597	6,629,188	2,382,070	3,165,655	1,219,843	402,154	25,067,507	1,282,868	8,002,415	34,352,790

Advances on fixed assets as at December 31, 2017 and 2016 mainly represent advances paid to suppliers in relation to the renovation of showrooms.

In July 2015, the Company 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).

13. BANK BORROWINGS

Bank borrowings consist of the following:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Overdrafts	53,751,599	39,656,443
Import financing	13,389,762	2,157,030
Short-term bank loans	10,757,877	21,866,132
	77,899,238	63,679,605

The Company's bank borrowings are from different local banks and are broken down by currency as follows:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
U.S Dollar	74,208,198	58,001,603
Lebanese Pounds	3,690,743	5,493,483
Japanese Yen	273	184,385
Others	24	134
	77,899,238	63,679,605

These facilities which are secured by personal guarantees of certain shareholders and a cash collateral (Note 5), are used to support the Company's normal operations, in addition to the subsidiaries' activities (Note 10).

The facilities are granted by local banks for the following limits as of December 31, 2017 and 2016:

	December 31, 2017			December 31, 2016		
	LBP	USD	JPY	LBP	USD	JPY
		C/V in	C/V in		C/V in	C/V in
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Overdrafts limit	12,000,000	43,213,995	-	12,000,000	49,494,240	-
Letter of credits limit	-	170,799,750	-	-	168,840,000	-
Banks' guarantees limit	-	2,550,000	-	-	2,550,000	74,168

The overdrafts under these facilities are subject to an average interest rate of 9.5% on LBP and 7% on USD as at December 31, 2017 and 2016. Interest expense on these banks borrowings amounted to approximately LBP7.2billion for the year 2017 (LBP6.3billion in 2016) reflected under "Net interest expense and financial charges" in the statement of profit or loss (Note 24).

14. LIABILITIES UNDER ACCEPTANCES

Liabilities under acceptances as of December 31, 2017 consist of bank acceptances payable in Japanese Yen and U.S Dollar due to suppliers with the following maturities as of 2017 year end:

	Amount		
	JPY	USD	Total C/V in LBP'000
Overdue bills	-	1,511,949	
January 2018	-	2,822,616	
February 2018	27,904,565	8,064,903	
March 2018	43,441,618	9,190,539	
April 2018	87,033,934	6,934,459	
May 2018	49,103,151	4,378,767	
June 2018	99,488,696	2,143,709	
July 2018	16,707,162	-	
	323,679,126	35,046,942	57,167,327
Deferred interest	(3,474,218)	(3,105)	(51,200)
Total 2017	320,204,908	35,043,837	57,116,127

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:

	Amount		
	JPY	USD	Total C/V in LBP'000
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	-	1,877,948	
	336,408,086	79,357,720	123,971,429
Deferred interest	(2,195,964)	(114,303)	(200,640)
Total 2016	334,212,122	79,243,417	123,770,789

Interest expense on bank acceptances amounted to LBP1.26billion in 2017 (LBP1.51billion in 2016) reflected under "Net interest expense and financial charges" (Note 24) in the statement of profit or loss.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

This caption is composed of the following:

	December 31, 2017 LBP'000	December 31, 2016 LBP'000
Accrued expenses	485,870	846,879
Customers and Dealers - Credit balances and Advances (a)	2,388,205	3,837,357
Other creditors (a) (Note 6)	7,009,415	8,432,210
Corporate income tax (b)	1,697,777	1,885,513
Dividends payable (c)	1,852,201	125,117
VAT payable	990,808	815,635
Due to National Social Security Fund	328,572	386,654
Other withheld taxes payable	236,708	367,104
Other liabilities (Note 6)	478,437	171,653
	15,467,993	16,868,122

(a) Other creditors include amount of LBP4.56billion as of December 31, 2017 (LBP5billion as of December 31, 2016) 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:

	2017 LBP'000	2016 LBP'000
Beginning balance	1,885,513	1,872,996
Income tax provision for the year	1,556,855	1,768,928
Settlement of prior years income tax	(1,885,514)	(1,872,990)
Other taxes	140,923	116,579
Ending balance	1,697,777	1,885,513

Corporate income tax is computed as follows:

	2017 LBP'000	2016 LBP'000
Profits before income tax	8,913,718	10,586,507
Add: Non deductible expenses:		
Provisions	675,144	724,818
Expenses	1,234,277	998,898
Taxes	177,393	160,306
Deduct:		
Non-taxable income	(865,840)	(677,677)
Total tax adjustments	1,220,974	1,206,345
Taxable profits	10,134,692	11,792,852
Income tax at 15.4% (15% for 2016)	1,556,855	1,768,928

During 2017, tax amendments and new taxes and duties were issued as per Law No. 64 dated October 26, 2017. These amendments include, but are not limited to, an increase in the corporate income tax from 15% to 17% to be applied effective October 27, 2017 onwards.

(c) Dividends payable are broken down as follows:

	2017	2016
	LBP'000	LBP'000
Opening Balance	125,117	102,651
Dividends declared	4,395,300	4,504,500
Dividends paid	(2,668,216)	(4,482,034)
Ending Balance	1,852,201	125,117

The ordinary general assembly of shareholders held on August 4, 2017 declared the distribution of dividends for an amount of LBP4.395billion.

The ordinary general assembly of shareholders held on June 23, 2016 declared the distribution of dividends for an amount of LBP4.505billion.

Dividends paid during 2017 amounted to LBP2.7billion including LBP125million of dividends declared and outstanding from prior years (LBP4.5billion for the year 2016 including LBP103million of dividends declared and outstanding from prior years).

16. SUBSIDIZED LOAN

During 2013, the Company 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 Company 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, 2017 amounted to LBP177million (LBP202million in 2016) (Note 24).

17. TRADE ACCOUNTS PAYABLE

Trade accounts payable consist of local and foreign suppliers mainly denominated in U.S. Dollar.

18. PROVISION FOR EMPLOYEES' END-OF-SERVICE INDEMNITIES

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

	2017 LBP'000	2016 LBP'000
Opening Balance	1,507,549	1,663,954
Additions (Note 23)	743,560	531,889
Settlements	(598,889)	(688,294)
Ending Balance	1,652,220	1,507,549

19. 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:

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

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).

20. LEGAL RESERVE

In accordance with the Lebanese Code of Commerce, the Company is required to transfer 10% of its annual net profits to a reserve account until this reserve reaches one third of the Company's capital. This reserve is not available for distribution.

21. SALES AND COST OF SALES

This caption is composed of the following:

	Year Ended December 31, 2017 LBP'000	Year Ended December 31, 2016 LBP'000
New cars' sales, net	295,803,882	326,960,882
Cost of new cars	(269,200,561)	(299,439,970)
	26,603,321	27,520,912
Used cars' sales, net	19,681,957	18,971,228
Cost of used cars	(19,447,558)	(18,953,360)
	234,399	17,868
Spare parts' sales, net	26,049,406	21,960,689
Cost of spare parts	(15,134,318)	(11,840,818)
	10,915,088	10,119,871
Marine boats' sales, net	497,475	-
Cost of Marine boats	(495,777)	-
	1,698	-
Motorcycles' and Jet-skis' sales	2,313,484	2,282,639
Cost of Motorcycles and Jet-skis	(1,781,134)	(1,833,930)
	532,350	448,709
Fuel and oil sales	1,859,718	1,763,067
Cost of fuel and oil	(1,683,355)	(1,590,137)
	176,363	172,930
Net after sale services	5,714,090	5,852,973
Total net sales	351,920,012	377,791,478
Total cost of sales	(307,742,703)	(333,658,215)

22. GENERAL AND ADMINISTRATIVE EXPENSES

This caption is composed of the following:

	Year Ended December 31,	
	2017	2016
	LBP'000	LBP'000
Rent charges	2,589,063	2,506,804
Professional fees (Note 6)	869,614	920,631
Taxes and duties	661,859	886,826
Insurance	646,785	607,118
Travel expenses	429,964	422,347
Telephone and telecommunication	509,020	464,490
Fuel and Gas	399,418	373,691
Cleaning	450,736	455,319
Guards Expenses	276,785	296,281
Repairs and maintenance	451,575	414,122
Utilities	190,499	164,667
Entertainment	217,635	171,918
Legal expenses	105,421	127,511
Attendance fees	126,630	126,630
Transportation expenses	65,180	75,343
Company's share of losses from an associate (Note 11)	119,863	-
Miscellaneous	1,437,319	1,459,602
	9,547,366	9,473,300

"Taxes and duties" includes Value Added Taxes borne by the Company in the amount of LBP27million during 2017 (LBP188million in 2016). In addition, it includes non-resident tax paid on the interest charged by foreign suppliers in the amount of LBP6.6million during 2017 (LBP8.3million in 2016).

23. SALARIES, WAGES AND RELATED CHARGES

This caption comprises the following:

	Year Ended December 31,	
	2017	2016
	LBP'000	LBP'000
Salaries and wages	7,383,579	6,928,390
Bonuses	1,787,022	2,801,267
National Social Security Contributions	1,710,820	1,663,629
Directors' remuneration	132,660	132,660
Sales commissions	606,941	610,380
Schooling allowances	169,791	162,458
Transportation	551,994	515,744
Staff transaction indemnities paid	119,146	200,043
Provision for employees' end-of-service indemnity (Note 18)	743,560	531,889
Others Fees	15,945	17,923
	13,221,458	13,564,383

24. NET INTEREST EXPENSE AND FINANCIAL CHARGES

This caption is composed of the following:

	Year Ended December 31, 2017 LBP'000	Year Ended December 31, 2016 LBP'000
Interest income on notes receivable – Note 6	895,550	1,527,151
Interest income from related parties – Note 7	2,580,257	1,425,455
Interest income from banks – Note 5	339,734	1,454,756
Interest income from RYMCO SEC I MSF, net of tax – Note 6	779,256	609,910
Interest expense on bank acceptances – Note 14	(1,261,764)	(1,511,115)
Interest expense on banks – Notes 13 & 16	(7,429,901)	(6,568,565)
Other financial charges	(572,290)	(718,538)
	(4,669,158)	(3,780,946)

25. 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 2017 and 2016.

26. COMMITMENTS AND CONTINGENT LIABILITIES

a. - The Company is involved in litigations arising in the ordinary course of its business. Based on the opinion of the Company's legal counsel, management believes that these legal cases do not have any material impact on the Company's operations.

b. - The Company's income tax returns for the years 2013 till 2017 are still subject to review by the tax authorities. The result of this review cannot be determined at present.

- The Company's value added tax declarations for the years 2013 till 2017 are still subject to review by the tax authority, the result of which cannot be determined at present.

c. - The Company had the following commitments and contingent liabilities, out of which two letters of guarantee in the amount LBP15billion were provided to banks in favor of a related party and subsidiary.

	December 31, 2017 LBP'billion	December 31, 2016 LBP'billion
Letters of guarantee	36.8	19.9
Letters of credit	22.3	39.4

27. CAPITAL RISK MANAGEMENT

The Company 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 Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists of debt less cash and cash equivalents, and equity consists of capital, legal reserve, change in fair value and retained earnings.

The Company manages the capital structure and makes the necessary revisions, in light of changes in the economics of the business and the market conditions, and the risk characteristics of operations and underlying assets.

The Company monitors capital on the basis of the net debt to equity ratio (gearing ratio). The gearing ratio as at December 31, 2017 and 2016 was as follows:

	December 31,	
	2017	2016
	LBP'000	LBP'000
Total liabilities	179,414,692	228,995,433
Less: Cash and banks	(12,648,372)	(35,930,280)
Net debt	166,766,320	193,065,153
Total equity	85,865,008	80,883,544
Gearing ratio	1.94	2.39

28. 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 liabilities approximate their carrying values at the end of the reporting date.

(b) Credit Risk:

The Company'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 Company's management based on past experience.

Trade accounts and notes receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Company does not have significant credit risk exposure to any single counterparty, except for the concentration of nine customers constituting 62% of accounts receivables and four customers constituting 44% of notes receivable as at December 31, 2017. For maturity, aging and delinquencies of accounts receivable refer to Note 6.

Moreover, the liquid funds of the Company represented in cash at banks is deposited with good reputable banks.

(c) Interest Rate Risk:

The Company'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 analysis below has 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.

A 1% change in interest rates would impact the profit by an amount ranging between LBP1billion and LBP1.3billion.

(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.

December 31, 2017	One year or less	More than one year	Total
	LBP'000	LBP'000	LBP'000
Financial Assets:			
Cash and banks	12,648,372	-	12,648,372
Notes and accounts receivable	64,163,712	20,620,287	84,783,999
Due from subsidiaries and associate	6,168,211	-	6,168,211
Due from related parties	4,555,027	16,218,659	20,773,686
Other assets	2,418,599	-	2,418,599
Total	89,953,921	36,838,946	126,792,867
Financial Liabilities:			
Bank's borrowings	77,899,238	-	77,899,238
Liabilities under acceptances	57,116,127	-	57,116,127
Accounts payable and other liabilities	22,104,233	-	22,104,233
Due to related parties	874,236	-	874,236
Due to subsidiaries and associate	2,630,269	-	2,630,269
Subsidized loan	1,431,750	238,625	1,670,375
Total	162,055,853	238,625	162,294,478

December 31, 2016	One year or less	More than one year	Total
	LBP'000	LBP'000	LBP'000
Financial Assets:			
Cash and banks	35,930,280	-	35,930,280
Notes and accounts receivable	69,393,864	20,444,725	89,838,589
Due from subsidiaries and associate	1,999,369	-	1,999,369
Due from related parties	3,635,847	14,551,465	18,187,312
Other assets	2,697,060	-	2,697,060
Total	113,656,420	34,996,190	148,652,610
Financial Liabilities:			
Bank's borrowings	63,679,605	-	63,679,605
Liabilities under acceptances	123,770,789	-	123,770,789
Accounts payable and other liabilities	19,404,741	-	19,404,741
Due to related parties	610,273	-	610,273
Due to subsidiaries and associate	52,229	-	52,229
Subsidized loan	1,431,750	1,670,375	3,102,125
Total	208,949,387	1,670,375	210,619,762

(e) Currency Risk:

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of monetary assets and liabilities of the Company stated in foreign currencies, whereby, should the Company's liabilities in foreign currencies exceed the Company's current assets; it may result in an adverse effect on equity. The majority of the Company's monetary assets and liabilities are denominated in U.S. Dollar and/or Lebanese Pounds, which is pegged to the U.S. Dollar except for the below mentioned monetary assets and liabilities.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the end of the reporting are as follows:

	December 31, 2017			
	JPY	EUR	GBP	Total
Assets:	LBP'000	LBP'000	LBP'000	LBP'000
Cash and banks	566,788	234,726	7,099	808,613
Notes and accounts receivable	894,181	30,115	66,980	991,276
Prepayments and other assets	245,462	244,681	1,745	491,888
Total monetary assets	1,706,431	509,522	75,824	2,291,777
Liabilities:				
Bank Borrowings	297	-	-	297
Liabilities under acceptances	3,627,081	-	-	3,627,081
Trade accounts payable	350,734	97,859	4,710	453,303
Total monetary liabilities	3,978,112	97,859	4,710	4,080,681
Net position	(2,271,681)	411,663	71,114	(1,788,904)

	December 31, 2016			
	JPY	EUR	GBP	Total
Assets:	LBP'000	LBP'000	LBP'000	LBP'000
Cash and banks	136,146	82,221	6,565	224,932
Notes and accounts receivable	880,675	17,123	5,568	903,366
Prepayments and other assets	516,009	471,535	350,589	1,338,133
Total monetary assets	1,532,830	570,879	362,722	2,466,431
Liabilities:				
Bank Borrowings	184,518	-	-	184,518
Liabilities under acceptances	2,601,682	-	-	2,601,682
Trade accounts payable	1,362,840	408,285	15,411	1,786,536
Total monetary liabilities	4,149,040	408,285	15,411	4,572,736
Net position	(2,616,210)	162,594	347,311	(2,106,305)

30. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform with the current year's presentation

Current Classification	Previous Classification	Amount Reclassified LBP'000
Cost of sales	General and administrative expenses	177,471
Advertising and selling expenses	Cost of sales	170,012

The changes have been made to improve the quality of information presented.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issuance on May 29, 2018.