SERVICE SOCIAL POUR LE BIEN ÊTRE DE L'ENFANT AU LIBAN (SESOBEL)

FINANCIAL STATEMENTS

30 JUNE 2015

Building a better working world

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EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF SERVICE SOCIAL POUR LE BIEN ÊTRE DE L'ENFANT AU LIBAN (SESOBEL)

We have audited the accompanying financial statements of Service Social Pour le Bien-Être de L'Enfant au Liban ('the Association'), which comprise the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all materials respects, the financial position of the Association as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Ernst & Young

23 October 2015
Beirut, Lebanon

STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 June 2015

	Notes	*2015* **LL (000)**	*2014* *LL (000)*
Sales		**2,047,214**	1,744,168
Cost of Sales		**(887,339)**	(740,986)
GROSS MARGIN		**1,159,875**	1,003,182
Donations	3	**7,421,395**	6,195,762
Other revenue	4	**3,517,895**	2,464,108
General and administrative expenses	5	**(7,581,816)**	(6,877,959)
Donation expenses	6	**(3,737,392)**	(2,699,549)
Other expenses	7	**(305,174)**	(187,620)
Finance income, net		**56,414**	95,719
Loss on sale of property and equipment		**(2,300)**	(8,025)
Gain (loss) on exchange		**7,526**	(23,358)
PROFIT (LOSS) FOR THE YEAR		**536,423**	(37,740)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**536,423**	(37,740)

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	2015 LL (000)	2014 LL (000)
ASSETS			
Non-current assets			
Property and equipment	8	5,175,521	3,953,633
Intangible assets	9	179,438	211,115
Deposits		5,764	5,764
		5,360,723	4,170,512
Current assets			
Inventories	10	720,033	701,290
Accounts receivable and prepayments	11	3,312,219	2,754,701
Bank balances and cash	12	2,841,532	1,342,480
		6,873,784	4,798,471
TOTAL ASSETS		12,234,507	8,968,983
EQUITY AND LIABILITIES			
Equity			
Property and equipment reserve	13	6,238,090	4,895,844
General reserve		738,500	738,500
Accumulated losses		(243,325)	(779,748)
Total equity		6,733,265	4,854,596
Non-current liabilities			
Employees' end of service benefits	14	1,125,251	1,048,858
Long term loan - non current portion	15	130,833	141,249
		1,256,084	1,190,107
Current liabilities			
Accounts payable and accruals	16	4,195,930	2,873,621
Bank overdraft	12	38,938	50,659
Long term loan - current portion	15	10,290	-
		4,245,158	2,924,280
Total liabilities		5,501,242	4,114,387
TOTAL EQUITY AND LIABILITIES		12,234,507	8,968,983

The financial statements were authorised for issue on 23 October 2015 by:

Fadia Safi
General Manager

SESOBEL
SERVICE SOCIAL
POUR LE BIEN-ETRE DE L'ENFANT

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 30 June 2015

	Property and equipment reserve LL(000)	*General reserve LL(000)*	*Accumulated losses LL(000)*	*Total LL(000)*
Balance at 30 June 2013	3,142,143	738,500	(742,008)	3,138,635
Net movement of property and equipment reserve during the year	1,753,701	-	-	1,753,701
Total comprehensive loss for the year	-	-	(37,740)	(37,740)
Balance at 30 June 2014	4,895,844	738,500	(779,748)	4,854,596
Net movement of property and equipment reserve during the year	1,342,246	-	-	1,342,246
Total comprehensive income for the year	-	-	536,423	536,423
Balance at 30 June 2015	**6,238,090**	**738,500**	**(243,325)**	**6,733,265**

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 30 June 2015

	Notes	*2015* *LL(000)*	*2014* *LL(000)*
OPERATING ACTIVITIES			
Profit (loss) for the year		**536,423**	(37,740)
Adjustments for:			
Depreciation and amortization	8&9	**347,541**	341,091
Write-back of provision for end of service benefits	14	**(14,118)**	(37,346)
Loss on disposal of property and equipment		**2,300**	8,025
Provision for end of service benefits	14	**151,840**	128,869
		1,023,986	402,899
Working capital changes:			
Trade receivables		**(557,518)**	(1,046,540)
Inventory		**(18,743)**	12,513
Accounts payable and accruals		**1,322,309**	(257,904)
Cash (used in) from operating activities		**1,770,034**	(889,032)
End of service benefits paid	14	**(61,329)**	(29,752)
Net cash from (used in) operating activities		**1,708,705**	(918,784)
INVESTING ACTIVITIES			
Purchases of property and equipment (1)		**(173,806)**	(286,439)
Purchases of intangible assets		**(24,000)**	-
Proceeds from disposal of property and equipment		-	5,447
Net cash used in investing activities		**(197,806)**	(280,992)
FINANCING ACTIVITIES			
Long term loan	15	**(126)**	141,249
Net cash (used in) from financing activities		**(126)**	141,249
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,510,773**	(1,058,527)
Cash and cash equivalents at 1 July		**1,291,821**	2,350,348
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**2,802,594**	1,291,821

(1) Non cash transactions represent an increase in purchase of property and equipment and a decrease in property and equipment reserve by an amount of LL(000) 1,342,246 (2014: LL(000) 1,753,700).

NOTES TO THE FINANCIAL STATEMENTS
At 30 June 2015

1 CORPORATE INFORMATION

Service Social Pour le Bien-Être de l'Enfant au Liban ("the Association") was incorporated in 1977 and officially recognized by the Ministry of Internal Affairs on 15 September 1989.

The objective of the Association is to assist the handicap children to lead a life full of happiness and hope. The Association ensures that the handicap children have a fair role in society covering the rights that the children deserve.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been presented in thousands of Lebanese Lira LL (000).

The financial statements are prepared under the historical cost convention.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Changes in accounting policies

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010-2012 Cycle
- IFRS 2 *Share-based Payment*
- IFRS 3 *Business Combinations*
- IFRS 8 *Operating Segments*
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- IAS 24 *Related Party Disclosures*

The adoption of these standards did not have any effect on the financial position or performance of the Association.

2.3 Significant accounting policies

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Association assesses its revenue arrangements against specific criteria in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sales Revenue
Revenue of the Association are recognized when the service is performed, less any discounts and allowances.

Donations
Contributed cash, services and materials are recorded at their fair value upon receipt.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Building	20 years
Plant and equipment	6 - 10 years
Office and computer equipment	5 years
Motor Vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the income statement as the expense is incurred.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Inventories
Inventories are stated at the lower of cost and net realizable value.
Costs are those expenses incurred in bringing each product to its present location and condition using the weighted average cost basis.
Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

Cash and cash equivalents
For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Employees' end of service benefits
The Association provides end of service benefits to its employees in accordance with the Lebanese labor and social security laws. The entitlement to these benefits is usually based upon employees' length of service, the employees' salaries, the Association's contribution to the National Social Security Fund and other requirements outlined in the Lebanese labor law. The expected costs of these benefits are accrued over the period of employment.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Term loans are carried on the statement of financial position at their principal amounts. Installments due within one year are shown as a current liability. Interest is charged as an expense as it accrues.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognized when the Association has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currency transactions
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

Fair values
The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

3 DONATIONS

	2015 *LL (000)*	*2014* *LL (000)*
Donations in kind	**3,709,251**	2,667,689
Cash donations:		
Donations from locals	**2,725,978**	2,477,160
Donations from foreigners	**248,373**	260,804
Donations from partage	**547,413**	612,341
Others	**190,380**	177,768
	7,421,395	6,195,762

4 OTHER REVENUES

	2015 *LL (000)*	*2014* *LL (000)*
Parents refund	**2,578,998**	1,864,481
Revenue from self-financing activities	**726,738**	421,132
Revenue from emergency aid	**68,051**	55,553
Write back of end of service provision (Note 14)	**14,118**	37,346
Others	**129,990**	85,596
	3,517,895	2,464,108

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 *LL (000)*	*2014* *LL (000)*
Salaries and related benefits	**4,485,672**	4,458,758
External therapy fees	**1,509,316**	870,094
Depreciation (Note 8)	**291,864**	285,428
Amortization (Note 9)	**55,677**	55,663
Transportation expenses	**377,704**	338,382
Repair and maintenance	**155,205**	243,860
Fuel expenses	**74,913**	88,741
Insurance expenses	**81,143**	78,550
Car expenses	**49,668**	61,320
Rent expenses	**39,744**	42,000
Electricity expenses	**45,585**	41,084
Professional fees	**17,250**	27,900
Others	**398,075**	286,179
	7,581,816	6,877,959

6 DONATION EXPENSE

	2015 *LL (000)*	*2014* *LL (000)*
Emergency charges	**62,442**	54,933
Donations in kind	**3,674,950**	2,644,616
	3,737,392	2,699,549

7 OTHER EXPENSE

	2015 *LL (000)*	*2014* *LL (000)*
Cost of self -financing activities	**208,767**	**120,337**
Others	**96,407**	**67,283**
	305,174	**187,620**

8 PROPERTY AND EQUIPMENT

	Land *LL (000)*	*Building* *LL (000)*	*Plant and equipment* *LL (000)*	*Office equipment and furniture* *LL(000)*	*Motor vehicles* *LL(000)*	*Construction in progress* *LL (000)*	*Total* *LL(000)*
Cost							
At 1 July 2014	314,506	2,561,018	1,865,424	573,774	409,486	1,833,334	7,557,542
Additions	-	-	20,154	23,345	-	1,472,553	1,516,052
Disposals	-	(32,515)	-	-	-	-	(32,515)
At 30 June 2015	**314,506**	**2,528,503**	**1,885,578**	**597,119**	**409,486**	**3,305,887**	**9,041,079**
Depreciation							
At 1 July 2014	-	1,550,098	1,303,916	517,374	232,521	-	3,603,909
Charge for the year	-	106,827	122,458	24,275	38,304	-	291,864
Related to disposals	-	(30,215)	-	-	-	-	(30,215)
At 30 June 2015	-	**1,626,710**	**1,426,374**	**541,649**	**270,825**	-	**3,865,558**
Net carrying amount							
At 30 June 2015	**314,506**	**901,793**	**459,204**	**55,470**	**138,661**	**3,305,887**	**5,175,521**

	Land *LL (000)*	*Building* *LL (000)*	*Plant and equipment* *LL (000)*	*Office equipment and furniture* *LL(000)*	*Motor vehicles* *LL(000)*	*Construction in progress* *LL (000)*	*Total* *LL(000)*
Cost							
At 1 July 2013	314,506	2,561,018	1,765,196	563,550	279,734	72,767	5,556,771
Additions	-	-	100,228	10,224	169,120	1,760,567	2,040,139
Disposals	-	-	-	-	(39,368)	-	(39,368)
At 30 June 2014	**314,506**	**2,561,018**	**1,865,424**	**573,774**	**409,486**	**1,833,334**	**7,557,542**
Depreciation							
At 1 July 2013	-	1,440,516	1,175,627	488,704	239,531	-	3,344,378
Charge for the year	-	109,582	128,289	28,670	18,887	-	285,428
Related to disposals	-	-	-	-	(25,897)	-	(25,897)
At 30 June 2014	-	**1,550,098**	**1,303,916**	**517,374**	**232,521**	-	**3,603,909**
Net carrying amount							
At 30 June 2014	**314,506**	**1,010,920**	**561,508**	**56,400**	**176,965**	**1,833,334**	**3,953,633**

9 INTANGIBLE ASSETS

	Software ***2015*** ***LL (000)***	***Software*** *2014* *LL (000)*
Cost		
Balance at 1 July	**278,317**	278,317
Additions	**24,000**	-
Balance at 30 June	**302,317**	278,317
Accumulated amortization		
Balance at 1 July	**(67,202)**	(11,539)
Amortization for the year	**(55,677)**	(55,663)
Balance at 30 June	**(122,879)**	(67,202)
Net Carrying amount	**179,438**	211,115

10 INVENTORY

	2015 *LL (000)*	*2014* *LL (000)*
Raw material	**374,167**	373,668
Finished goods	**210,283**	206,337
Consumables	**135,583**	121,285
	720,033	701,290

Raw material consist of unprocessed chocolate, decorative items, linen, and other basic material needed to produce the final product.

Finished goods consist of chocolate baskets, greeting cards, towels, food supplies, and others.

11 ACCOUNTS RECEIVABLE AND PREPYMENTS

	2015 *LL (000)*	*2014* *LL (000)*
Trade accounts receivable	**2,818,540**	2,319,684
Staff receivable	**162,474**	148,399
Advances to suppliers	**207,724**	130,562
Prepaid expenses	**106,881**	102,775
Other receivables	**16,600**	53,281
	3,312,219	2,754,701

12 BANK BALANCES AND CASH

	2015 *LL (000)*	*2014* *LL (000)*
Cash in hand	**26,677**	23,231
Bank balances	**2,814,855**	1,319,249
	2,841,532	1,342,480
Less: bank overdrafts	**(38,938)**	(50,659)
	2,802,594	1,291,821

Included under bank balances and cash, term deposits denominated in Euro and US Dollars amounting to LL (000) 2,069,186 (2014: LL (000) 1,053,931) placed in local commercial banks with commercial interest rates.

13 PROPERTY AND EQUIPMENT RESERVE

	2015 *LL (000)*	*2014* *LL (000)*
Balance at 1 July	**4,895,844**	3,142,143
Additions of property and equipment	**1,532,626**	1,931,469
Transfer to donations (Note 3)	**(190,380)**	(177,768)
Balance at 30 June	**6,238,090**	4,895,844

14 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision for end of service benefits was as follows:

	2015 *LL (000)*	*2014* *LL (000)*
Provision as at 1 July	**1,048,858**	987,087
Provided during the year	**151,840**	128,869
Paid during the year	**(61,329)**	(29,752)
Written back during the year	**(14,118)**	(37,346)
Provision as at 30 June	**1,125,251**	1,048,858

15 TERM LOANS

On 23 January 2014, the Association signed a term loan agreement with a local commercial bank for an amount of LL (000) 141,123 payable in ninety six equal monthly installments amounting to LL (000) 1,470 each starting on 31 December 2015. The loan bears a yearly interest rate of 1.075% payable monthly.

16 ACCOUNTS PAYABLE AND ACCRUALS

	2014 *LL (000)*	*2014* *LL (000)*
Advances from donors	**2,545,625**	1,081,339
Trade accounts payable	**933,229**	694,111
Payable to fixed asset suppliers	**251,408**	347,152
Salaries payable	-	330,889
Retention payable	**127,125**	60,300
Accrued expenses	**57,424**	42,497
Payable to National Social Security Fund	**46,851**	43,609
Other payable	**234,268**	273,724
	4,195,930	2,873,621

17 RISK MANAGEMENT

Interest rate risk
The Association has no significant exposure to interest rate risk since it does not have significant interest bearing assets and liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Association is exposed to credit risk on its bank balances, its accounts receivable and certain other asset as reflected in the statement of financial position.

The Association seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

17 RISK MANAGEMENT (continued)

Liquidity risk
The table below summarizes the maturity profile of the Assocation's financial liabilities at 31 December based on contractual payments dates and current market interest rates.

Year ended 30 June 2015:

	Less than 3 months LL (000)	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*More than 5 years LL (000)*	*Total LL (000)*
Term loans	**388**	**11,417**	**92,973**	**36,345**	**141,123**
Bank overdraft	**38,938**	-	-	-	**38,938**
Accounts payable	**1,418,905**	-	-	-	**1,418,905**
Total	**1,458,231**	**11,417**	**92,973**	**36,345**	**1,598,966**

Year ended 30 June 2014:

	Less than 3 months LL (000)	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*More than 5 years LL (000)*	*Total LL (000)*
Term loans	385	1,154	86,567	61,422	149,528
Bank overdraft	50,659	-	-	-	50,659
Accounts payable	1,658,447	-	-	-	1,658,447
Total	**1,709,491**	**1,154**	**86,567**	**61,422**	**1,858,634**

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

The Association is not exposed to currency risk since all its financial assets and liabilities are denominated in US Dollars.

18 COMMITMENTS AND CONTINGENCIES

At 30 June 2015, the Association had contingent liabilities in respect of performance bonds amounting to LL (000) 2,000 (2014: the same).

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and accounts receivables. Financial liabilities consist of accounts payable and long term loan.

The fair values of financial instruments are not materially different from their carrying values as of the date of the statement of financial position.

Ernst & Young p.c.c. (EY)

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