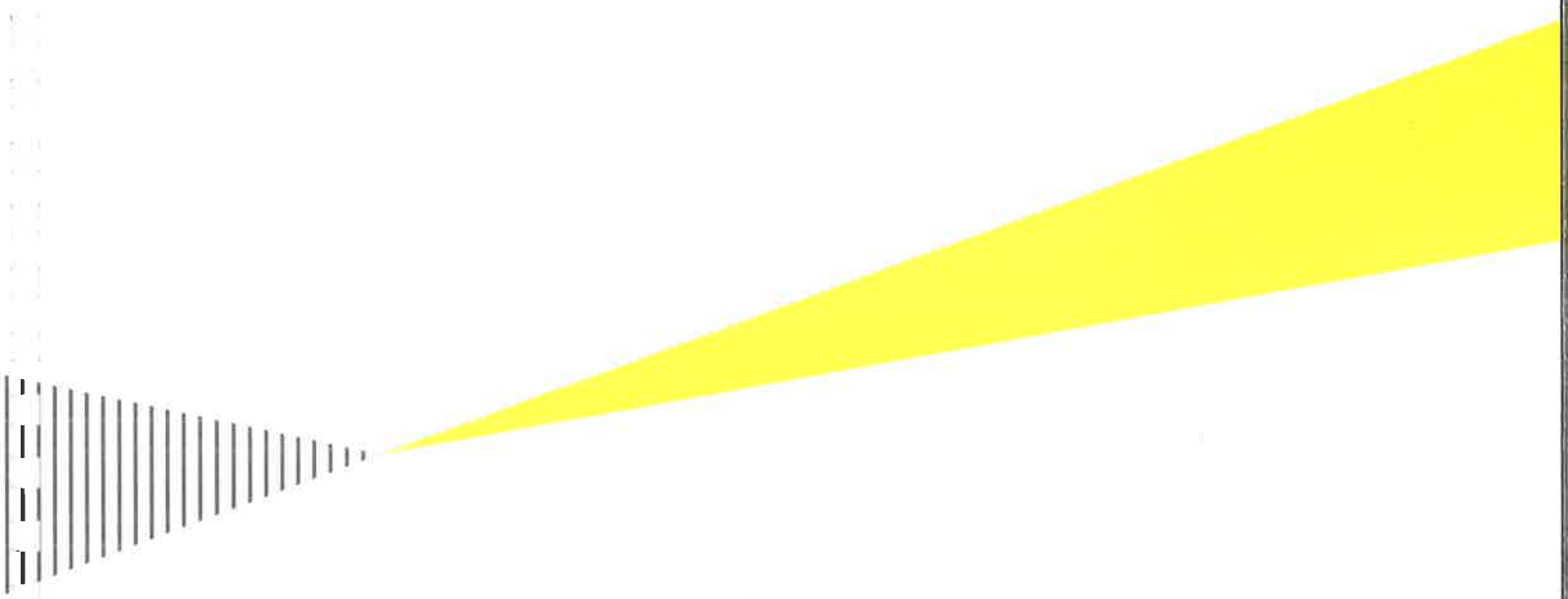


**SERVICE SOCIAL POUR LE BIEN-ÊTRE
DE L'ENFANT AU LIBAN (SESOBEL)**

FINANCIAL STATEMENTS

30 JUNE 2017





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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)

Opinion

We have audited the financial statements of Service Social Pour le Bien Être De L'Enfant au Liban (Sesobel) (the "Association"), which comprise the statement of financial position as at 30 June 2017 and the statement of 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 30 June 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 Association in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Association'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.




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Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement 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 Association'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 Association'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 Association 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 management 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.



Ernst & Young

9 January 2018
Beirut, Lebanon

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	<i>Notes</i>	<i>2017</i> <i>LL (000)</i>	<i>2016</i> <i>LL (000)</i>
Revenues		2,107,214	2,136,610
Cost of revenues		(894,088)	(863,561)
GROSS MARGIN		<u>1,213,126</u>	<u>1,273,049</u>
Donations	3	5,834,800	6,417,210
Other revenues	4	4,306,991	3,387,665
General and administrative expenses	5	(9,178,164)	(8,551,215)
Donation expenses	6	(2,434,028)	(3,079,407)
Other expenses	7	(273,583)	(239,929)
Finance income, net		57,799	107,237
Other income		118,961	150,271
Gain on sale of property and equipment		-	5,699
Loss on exchange, net		(11,265)	(16,123)
LOSS FOR THE YEAR		<u>(365,363)</u>	<u>(545,543)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(365,363)</u></u>	<u><u>(545,543)</u></u>

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

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	2017 LL (000)	2016 LL (000)
ASSETS			
Non-current assets			
Property and equipment	8	8,524,346	6,300,564
Intangible assets	9	63,281	119,457
Deposits		9,664	5,764
		<u>8,597,291</u>	<u>6,425,785</u>
Current assets			
Inventories	10	1,264,280	1,005,408
Accounts receivable and prepayments	11	4,127,994	3,617,113
Bank balances and cash	12	1,422,323	2,980,462
		<u>6,814,597</u>	<u>7,602,983</u>
TOTAL ASSETS		<u>15,411,888</u>	<u>14,028,768</u>
EQUITY AND LIABILITIES			
Equity			
Property and equipment reserve	13	9,613,449	7,364,696
General reserve		738,500	738,500
Accumulated losses		(1,154,231)	(788,868)
Total equity		<u>9,197,718</u>	<u>7,314,328</u>
Non-current liabilities			
Employees' end of service benefits	14	1,467,184	1,350,824
Long term loan - non current portion	15	95,452	114,681
Notes payable – non current portion		38,432	-
		<u>1,601,068</u>	<u>1,465,505</u>
Current liabilities			
Accounts payable and accruals	16	4,282,640	5,163,725
Long term loan - current portion	15	17,740	17,740
Notes payable – non current portion		26,806	-
Bank overdrafts	12	285,916	67,470
		<u>4,613,102</u>	<u>5,248,935</u>
Total liabilities		<u>6,214,170</u>	<u>6,714,440</u>
TOTAL EQUITY AND LIABILITIES		<u>15,411,888</u>	<u>14,028,768</u>

The financial statements were authorised for issue on 9 January 2018 by:

Fadia Safi
General Manager



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

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	<i>Property and equipment reserve LL(000)</i>	<i>General reserve LL(000)</i>	<i>Accumulated losses LL(000)</i>	<i>Total LL(000)</i>
Balance at 1 July 2016	6,238,090	738,500	(243,325)	6,733,265
Net movement of property and equipment reserve during the year	1,126,606	-	-	1,126,606
Total comprehensive income for the year	-	-	(545,543)	(545,543)
Balance at 30 June 2016	7,364,696	738,500	(788,868)	7,314,328
Net movement of property and equipment reserve during the year	2,248,753	-	-	2,248,753
Total comprehensive loss for the year	-	-	(365,363)	(365,363)
Balance at 30 June 2017	9,613,449	738,500	(1,154,231)	9,197,718

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

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	<i>Notes</i>	<i>2017</i> <i>LL(000)</i>	<i>2016</i> <i>LL(000)</i>
OPERATING ACTIVITIES			
Loss for the year		(365,363)	(545,543)
Adjustments for:			
Depreciation and amortization	8, 9	340,570	346,403
Write-back of provision for end of service benefits	14	(35,038)	(1,129)
Provision for end of service benefits (1)	14	264,825	227,309
Gain on disposal of property and equipment		-	(5,699)
		<u>204,994</u>	<u>21,341</u>
Working capital changes:			
Accounts receivable and prepayments		(510,881)	(304,894)
Inventories		(258,872)	(285,375)
Accounts payable and accruals		(881,085)	967,795
Deposits		(3,900)	-
Cash (used in) from operating activities		<u>(1,449,744)</u>	<u>398,867</u>
End of service benefits paid	14	(48,189)	(607)
Net cash (used in) from operating activities		<u>(1,497,933)</u>	<u>398,260</u>
INVESTING ACTIVITIES			
Purchases of property and equipment (2)		(259,423)	(298,285)
Proceeds from disposal of property and equipment		-	19,125
Net cash used in investing activities		<u>(259,423)</u>	<u>(279,160)</u>
FINANCING ACTIVITY			
Long term loan	15	(19,229)	(8,702)
Net cash used in a financing activity		<u>(19,229)</u>	<u>(8,702)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,776,585)	110,398
Cash and cash equivalents at 1 July		2,912,992	2,802,594
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	<u>1,136,407</u>	<u>2,912,992</u>

(1) Non cash transactions represent an increase in notes payable and a decrease in provision for end of service benefits by an amount of LL(000) 65,238 (2016: nil).

(2) 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) 2,248,753 (2016: LL(000) 1,126,606).

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

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 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Currently, IFRS does not contain specific guidelines for the accounting treatment and presentation of the financial statements of non-profit organizations. Therefore, accounting policies have been based on similar transactions and the general IFRS principles detailed in the IASB Framework as well.

The financial statements are prepared under the historical cost convention.

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

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the previous year, except for the adoption of new amended standards effective as of 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for acquisition of interest
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants
- Amendments to IAS 27: Equity method in separate financial statements
- Amendments to IAS 1 Disclosure initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: Applying the consolidation exception
- Annual Improvements 2012-2014 Cycle:
 - IFRS 5 Non-current assets held for sale and discontinued operations
 - IFRS 7 Financial instruments: Disclosure
 - IAS 19 Employee benefits
 - IAS 34 Interim financial reporting

The adoption of the above amendments to standards and improvements did not impact 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

Income taxes

The Association is a not-for-profit organization; accordingly, it is not subject to income tax.

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.

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

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

	2017 LL (000)	2016 LL (000)
Donations in kind	2,391,430	3,001,610
Cash donations:		
Donations from locals	2,550,718	2,475,971
Donations from foreigners	661,403	751,244
Others	231,249	188,385
	<u>5,834,800</u>	<u>6,417,210</u>

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

4 OTHER REVENUES

	<i>2017</i>	<i>2016</i>
	<i>LL (000)</i>	<i>LL (000)</i>
Parents refund	3,599,850	2,831,743
Revenue from self-financing activities	647,548	491,869
Revenue from emergency aid	59,593	64,053
	<u>4,306,991</u>	<u>3,387,665</u>

5 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2017</i>	<i>2016</i>
	<i>LL (000)</i>	<i>LL (000)</i>
Salaries and related benefits	5,283,158	4,976,012
External therapy fees	2,246,920	1,971,775
Depreciation (Note 8)	284,394	286,422
Amortization (Note 9)	56,176	59,981
Transportation expenses	413,825	417,052
Repair and maintenance	229,379	202,299
Fuel expenses	56,419	55,952
Insurance expenses	85,688	86,624
Car expenses	38,881	45,448
Rent expenses	42,006	41,994
Electricity expenses	72,534	42,947
Professional fees	26,655	21,690
Others	342,129	343,019
	<u>9,178,164</u>	<u>8,551,215</u>

6 DONATION EXPENSES

	<i>2017</i>	<i>2016</i>
	<i>LL (000)</i>	<i>LL (000)</i>
Donations in kind	2,361,561	2,993,830
Emergency charges	72,467	85,577
	<u>2,434,028</u>	<u>3,079,407</u>

7 OTHER EXPENSES

	<i>2017</i>	<i>2016</i>
	<i>LL (000)</i>	<i>LL (000)</i>
Cost of self-financing activities	205,682	150,012
Others	67,901	89,917
	<u>273,583</u>	<u>239,929</u>

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

8 PROPERTY AND EQUIPMENT

	<i>Land LL (000)</i>	<i>Building LL (000)</i>	<i>Equipment LL (000)</i>	<i>Office equipment and furniture LL (000)</i>	<i>Motor vehicles LL (000)</i>	<i>Construction in progress LL (000)</i>	<i>Total LL (000)</i>
Cost							
At 1 July 2016	314,506	2,528,503	1,652,992	626,505	412,737	4,514,561	10,049,804
Additions	-	270,000	46,264	16,261	21,900	2,153,751	2,508,176
At 30 June 2017	314,506	2,798,503	1,699,256	642,766	434,637	6,668,312	12,557,980
Depreciation							
At 1 July 2016	-	1,726,591	1,222,924	553,269	246,456	-	3,749,240
Charge for the year	-	109,050	100,937	24,591	49,816	-	284,394
At 30 June 2017	-	1,835,641	1,323,861	577,860	296,272	-	4,033,634
Net carrying amount At 30 June 2017	314,506	962,862	375,395	64,906	138,365	6,668,312	8,524,346

	<i>Land LL (000)</i>	<i>Building LL (000)</i>	<i>Equipment LL (000)</i>	<i>Office equipment and furniture LL (000)</i>	<i>Motor vehicles LL (000)</i>	<i>Construction in progress LL (000)</i>	<i>Total LL (000)</i>
Cost							
At 1 July 2015	314,506	2,528,503	1,885,578	597,119	409,486	3,305,887	9,041,079
Additions	-	-	78,136	54,626	67,322	1,224,807	1,424,891
Disposals	-	-	(326,855)	(25,240)	(64,071)	-	(416,166)
Transfers	-	-	16,133	-	-	(16,133)	-
At 30 June 2016	314,506	2,528,503	1,652,992	626,505	412,737	4,514,561	10,049,804
Depreciation							
At 1 July 2015	-	1,626,710	1,426,374	541,649	270,825	-	3,865,558
Charge for the year	-	99,881	120,479	26,360	39,702	-	286,422
Related to disposals	-	-	(323,929)	(14,740)	(64,071)	-	(402,740)
At 30 June 2016	-	1,726,591	1,222,924	553,269	246,456	-	3,749,240
Net carrying amount At 30 June 2016	314,506	801,912	430,068	73,236	166,281	4,514,561	6,300,564

9 INTANGIBLE ASSETS

	<i>Software 2017 LL (000)</i>	<i>Software 2016 LL (000)</i>
Cost		
Balance at 1 July	302,317	302,317
Accumulated amortization		
Balance at 1 July	182,860	122,879
Amortization for the year	56,176	59,981
Balance at 30 June	239,036	182,860
Net carrying amount	63,281	119,457

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

10 INVENTORIES

	2017 LL (000)	2016 LL (000)
Raw material	628,422	568,369
Finished goods	487,726	301,479
Consumables	148,132	135,560
	<u>1,264,280</u>	<u>1,005,408</u>

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 PREPAYMENTS

	2017 LL (000)	2016 LL (000)
Trade accounts receivable	3,565,533	2,678,799
Staff receivable	255,239	221,442
Advances to suppliers	143,652	622,599
Prepaid expenses	139,220	89,320
Other receivables	3,245	4,953
	<u>4,127,994</u>	<u>3,617,113</u>

12 BANK BALANCES AND CASH

	2017 LL (000)	2016 LL (000)
Cash on hand	21,303	19,197
Bank balances	1,401,020	2,961,265
	<u>1,422,323</u>	<u>2,980,462</u>
Less: bank overdrafts	(285,916)	(67,470)
	<u>1,136,407</u>	<u>2,912,992</u>

Included under bank balances and cash, term deposits denominated in Euro and US Dollars amounting to LL (000) 276,792 (2016: LL (000) 836,527) placed in local commercial banks with commercial interest rates.

13 PROPERTY AND EQUIPMENT RESERVE

	2017 LL (000)	2016 LL (000)
Balance at 1 July	7,364,696	6,238,090
Additions of property and equipment	2,480,002	1,314,991
Transfer to donations (Note 3)	(231,249)	(188,385)
Balance at 30 June	<u>9,613,449</u>	<u>7,364,696</u>

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

14 EMPLOYEES' END OF SERVICE BENEFITS

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

	2017 LL (000)	2016 LL (000)
Provision as at 1 July	1,350,824	1,125,251
Provided during the year	264,825	227,309
Paid during the year	(48,189)	(607)
Transfer to notes payable	(65,238)	-
Written back during the year	(35,038)	(1,129)
Provision as at 30 June	<u>1,467,184</u>	<u>1,350,824</u>

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 on a monthly basis.

16 ACCOUNTS PAYABLE AND ACCRUALS

	2017 LL (000)	2016 LL (000)
Advances from donors	1,579,231	3,571,087
Trade accounts payable	924,926	801,045
Payable to fixed asset suppliers	338,983	-
Due to employees	273,421	-
Retention payable	107,955	3,624
Accrued expenses	60,944	49,776
Payable to National Social Security Fund	90,767	53,021
Other payable	885,308	685,172
	<u>4,261,535</u>	<u>5,163,725</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS

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17 RISK MANAGEMENT (continued)

Liquidity risk

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

Year ended 30 June 2017:

	<i>Less than 3 months LL (000)</i>	<i>3 to 12 months LL (000)</i>	<i>1 to 5 years LL (000)</i>	<i>More than 5 years LL (000)</i>	<i>Total LL (000)</i>
Term loans	4,717	14,261	91,050	7,370	117,398
Bank overdraft	285,916	-	-	-	285,916
Accounts payable	2,235,560	-	-	-	2,235,560
Notes payable	6,539	20,267	38,432	-	65,238
Total	2,532,732	34,528	129,482	7,370	2,704,112

Year ended 30 June 2016:

	<i>Less than 3 months LL (000)</i>	<i>3 to 12 months LL (000)</i>	<i>1 to 5 years LL (000)</i>	<i>More than 5 years LL (000)</i>	<i>Total LL (000)</i>
Term loans	4,765	14,213	92,011	26,784	137,773
Bank overdraft	67,470	-	-	-	67,470
Accounts payable	1,486,217	-	-	-	1,486,217
Total	1,558,452	14,213	92,011	26,784	1,691,460

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 2017, the Association had contingent liabilities in respect of performance bonds amounting to LL (000) 2,000 (2016: 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.