

**HOLCIM (LIBAN) S.A.L.**

**Report and financial statements  
for the year ended 31 December 2016**

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## **Report and financial statements for the year ended 31 December 2016**

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## **Independent auditor's report to the shareholders of Holcim (Liban) S.A.L.**

### **Report on the audit of the separate financial statements**

#### **Our opinion**

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Holcim (Liban) S.A.L. (the "Company") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **What we have audited**

The Company's separate financial statements comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

#### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lebanon. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### **Our audit approach**

##### **Overview**

- |                   |  |
|-------------------|--|
| Key Audit Matters | <ul style="list-style-type: none"><li>▪ Capitalisation and useful lives of property, plant and equipment;</li><li>▪ Environmental provision; and</li><li>▪ Raw materials quantities.</li></ul> |
|-------------------|--|

We have set out below our explanation of each item and a summary of the audit approach.

## **Independent auditor's report (continued) to the shareholders of Holcim (Liban) S.A.L.**

### **Our audit approach (continued)**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, 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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b><i>Capitalisation and useful lives of property, plant and equipment</i></b></p> <p>At 31 December 2016, property, plant and equipment of LL 188 billion accounted for 71% of total non-current assets and 50% of total assets overall and included LL 114 billion of plant and equipment. We focused on that area on account of the significance of the balance involved as well as the judgement required in the estimation of useful economic lives. In particular, we addressed the risk that the useful economic lives of plant and equipment might not be appropriate.</p> <p>Refer to notes 2.4 and 4 (b) for information on accounting policies and critical accounting estimates and judgements.</p>	<p>On a sample basis, we evaluated and tested controls over the plant and equipment business cycle, performed tests of detail on costs that were capitalised and tested the depreciation calculation by reference to the Company's depreciation policy.</p> <p>We assessed the nature of costs incurred and checked whether they met capitalisation criteria.</p> <p>We assessed whether management's estimations of the useful economic lives of plant and equipment were appropriate based on our knowledge of the business and more generally, the practice in the cement industry globally.</p> <p>We tested the appropriateness of the related disclosures in note 7 to the financial statements.</p>

**Independent auditor's report (continued)  
to the shareholders of Holcim (Liban) S.A.L.**

**Key audit matters (continued)**

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<b><i>Environmental provision</i></b>	
<p>The Company has a quarry rehabilitation programme for the preparation and closure of quarries in an environmentally responsible manner. The aim of the programme is to reintegrate exhausted parts of a quarry into the landscape as well as to make the site safe and stable for future land use. To that end a provision is made that is based upon the estimated costs of the site restoration. The total provision carried at 31 December 2016 is LL 3.74 billion (refer to note 19).</p> <p>As would be expected, such a provision involves significant judgement as to (i) the timing of the site restoration, (ii) the estimated costs and (iii) a proper measurement of the surfaces that are impacted by the extraction activities.</p> <p>Refer to notes 2.20 and 4 (d) for information on accounting policies and critical accounting estimates and judgement.</p>	<p>External expert topographers are used by the Company to assist it in the determination of the surfaces that are impacted by the extraction activities, as a basis for calculating the provision. We attended and observed the physical measurement of such surfaces by the experts.</p> <p>We also assessed:</p> <ul style="list-style-type: none"> <li>(i) the competence and independence of the experts and read and considered the findings set out in their report;</li> <li>(ii) the soundness of the financial model used to compute the provision by testing the construction of the financial model for the proper functioning of the embedded formulae;</li> <li>(iii) the reasonableness of the input into the model in terms of: <ul style="list-style-type: none"> <li>- the surface covered, by reference to the experts' report;</li> <li>- the timing of the expected works, by reference to the lease period of quarry sites; and</li> <li>- the costs involved, by reference to cost estimates obtained by the Company for the restoration works.</li> </ul> </li> <li>(iv) the appropriateness of the discount factor used; and</li> <li>(v) the appropriateness of the related disclosures in notes 2.20 and 4 (d) to the financial statements.</li> </ul>
<b><i>Raw materials quantities</i></b>	
<p>At 31 December 2016, the carrying amount of raw materials was LL 19.91 billion which is significant in the context of the balance sheet (refer to note 13).</p>	<p>The external experts referred to above were also used by the Company to determine the physical quantities of raw materials held, as a basis for determining the carrying amount of raw materials.</p>



## **Independent auditor's report (continued) to the shareholders of Holcim (Liban) S.A.L.**

### **Key audit matters (continued)**

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<b><i>Raw materials quantities (continued)</i></b>	
We focused on this area because the determination of the quantities of raw materials (i.e. basalt, argil, sand etc.) requires significant levels of judgement and technical expertise.	We attended and observed the measurement of quantities by the experts. For measurements conducted at a date other than the balance sheet date, roll-forward reconciliation procedures were tested on a sample basis taking into account details of extractive production data and sales in the roll-forward period. We also assessed, on a sample basis, the reasonableness of the density assumptions used by the expert in the calculation of the final quantities by benchmarking to other local cement companies as well as publicly available information on density by type of raw material.
Refer to notes 2.11 and 13 for information on accounting policies and disclosures.	

### **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 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.

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.

## **Independent auditor's report (continued) to the shareholders of Holcim (Liban) S.A.L.**

### **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 scepticism 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.

**Independent auditor's report (continued)**  
**to the shareholders of Holcim (Liban) S.A.L.**

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Camille C. Sifri.



Beirut, Lebanon  
26 May 2017



**Balance sheet**  
**at 31 December 2016**

	Note	2016 LL'000	2015 LL'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	187,608,061	194,722,109
Investment properties	8	12,077,167	12,077,167
Intangible assets	9	21,205,393	22,368,593
Investment in subsidiaries	10	29,249,162	29,249,162
Trade and other receivables	12	16,930,888	17,324,343
		<u>267,070,671</u>	<u>275,741,374</u>
<b>Current assets</b>			
Inventories	13	42,394,901	55,163,614
Trade and other receivables	12	52,195,958	46,851,149
Cash and cash equivalents	14	12,357,603	29,896,111
		<u>106,948,462</u>	<u>131,910,874</u>
<b>Total assets</b>		<u><u>374,019,133</u></u>	<u><u>407,652,248</u></u>
<b>Equity</b>			
Share capital	15	97,580,200	195,160,400
Legal reserve	16	52,300,812	49,548,302
Other reserve	17	50,613,023	50,613,023
Retained earnings		<u>74,110,014</u>	<u>27,823,796</u>
<b>Total equity</b>		<u>274,604,049</u>	<u>323,145,521</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loan from a related party	32	12,060,000	12,060,000
Retirement benefit obligations	20	5,761,255	5,875,297
Notes payable	19	3,300,821	3,830,046
Provision for risk and charges	21	4,475,028	4,106,245
Deferred tax liability	22	1,082,487	856,487
		<u>26,679,591</u>	<u>26,728,075</u>
<b>Current liabilities</b>			
Borrowings	18	9,319,554	-
Trade and other payables	23	47,040,800	45,550,242
Current income tax liability	22	13,209,899	6,762,792
Notes payable	19	501,068	450,379
Provision for risk and charges	21	2,664,172	5,015,239
		<u>72,735,493</u>	<u>57,778,652</u>
<b>Total liabilities</b>		<u>99,415,084</u>	<u>84,506,727</u>
<b>Total equity and liabilities</b>		<u><u>374,019,133</u></u>	<u><u>407,652,248</u></u>

The financial statements on pages 7 to 40 were approved for issue by the Board of Directors on 6 April 2017 and were signed on its behalf by:

Mr. Toufic Tabbara  
Chief Executive Officer

Mr. Markus Herbst  
Chief Financial Officer

The notes on pages 11 to 40 are an integral part of these financial statements.

**Statement of comprehensive income  
for the year ended 31 December 2016**

	Note	2016 LL'000	2015 LL'000
<b>Revenue</b>	6	<b>246,543,642</b>	228,011,224
Cost of sales	24	<u>(121,307,065)</u>	<u>(144,141,337)</u>
<b>Gross profit</b>		<b>125,236,577</b>	83,869,887
Distribution costs	24	(21,524,462)	(23,453,278)
Administrative expenses	24	(11,280,694)	(21,007,708)
Dividend income	32	5,653,458	2,999,431
Other expenses - net	26	<u>(10,100,506)</u>	<u>(8,610,339)</u>
<b>Operating profit</b>		<b>87,984,373</b>	33,797,993
Finance costs - net	27	<u>(349,867)</u>	<u>(1,133,368)</u>
<b>Profit before income tax</b>		<b>87,634,506</b>	32,664,625
Income tax expense	22	<u>(13,435,265)</u>	<u>(6,589,394)</u>
<b>Profit for the year</b>		<b>74,199,241</b>	26,075,231
<i>Other comprehensive income</i>			
<i>(items that will not be reclassified to profit or loss)</i>			
Remeasurments of post-employment benefit obligations	20	<u>(118,352)</u>	<u>1,449,867</u>
<b>Total comprehensive income for the year</b>		<b><u>74,080,889</u></b>	<b><u>27,525,098</u></b>
<b>Earnings per share from profit attributable to the equity holders of the Company during the year</b>			
(expressed in LL per share)	28	<u><u>3,802</u></u>	<u><u>1,336</u></u>

**Statement of changes in equity  
for the year ended 31 December 2016**

	<b>Share capital LL'000</b>	<b>Legal reserve LL'000</b>	<b>Other reserve LL'000</b>	<b>Retained earnings LL'000</b>	<b>Total LL'000</b>
Balance at 1 January 2015	195,160,400	44,646,428	50,613,023	49,060,305	339,480,156
Profit for the year	-	-	-	26,075,231	26,075,231
Other comprehensive income	-	-	-	1,449,867	1,449,867
Transfer to legal reserve (note 16)	-	4,901,874	-	(4,901,874)	-
<i>Transactions with owners in their capacity as owners:</i>					
Dividends declared (note 29)	-	-	-	(43,859,733)	(43,859,733)
Balance at 1 January 2016	195,160,400	49,548,302	50,613,023	27,823,796	323,145,521
Profit for the year	-	-	-	74,199,241	74,199,241
Other comprehensive income	-	-	-	(118,352)	(118,352)
Transfer to legal reserve (note 16)	-	2,752,510	-	(2,752,510)	-
<i>Transactions with owners in their capacity as owners:</i>					
Dividends declared (note 29)	-	-	-	(25,042,161)	(25,042,161)
Decrease in share capital (note 15)	(97,580,200)	-	-	-	(97,580,200)
<b>Balance at 31 December 2016</b>	<b>97,580,200</b>	<b>52,300,812</b>	<b>50,613,023</b>	<b>74,110,014</b>	<b>274,604,049</b>

**Statement of cash flows  
for the year ended 31 December 2016**

	Note	2016 LL'000	2015 LL'000
<b>Cash flows from operating activities</b>			
Profit before income tax		87,634,506	32,664,625
Adjustments for:			
Depreciation charge	7, 24	17,218,994	16,301,447
Depletion and amortisation charge	9, 24	1,163,200	1,156,421
Interest expense	27	1,761,479	1,807,507
Interest income	27	(1,411,612)	(674,139)
Dividend income	32	(5,653,458)	(2,999,431)
Net transfer (from) to retirement benefit obligations	20	(232,394)	10,450
Provision for risk and charges - net	21	(1,700,971)	4,974,878
Provision for slow moving and obsolete inventories	13, 24	937,742	1,621,468
Provision for impairment of trade receivables		8,201	662,281
Gain on disposal of property, plant and equipment	26	(12,675)	-
Changes in working capital:			
Inventories	13	11,830,971	3,912,380
Trade and other receivables		(3,596,689)	(7,444,217)
Trade and other payables		(1,170,151)	(4,791,850)
Notes receivable		(1,269,970)	(1,216,929)
Cash generated from operations		105,507,173	45,984,891
Interest received	27	1,130,299	760,497
Interest paid		(1,069,223)	(1,155,367)
Income tax paid	22	(6,762,158)	(5,367,181)
<b>Net cash generated from operating activities</b>		<b>98,806,091</b>	<b>40,222,840</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(10,104,946)	(15,471,759)
Proceeds from disposal of property, plant and equipment		12,675	-
Dividends received		4,833,040	2,913,073
Proceeds from notes receivable		727,523	-
<b>Net cash used in investing activities</b>		<b>(4,531,708)</b>	<b>(12,558,686)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(24,798,035)	(43,600,733)
Return of capital to shareholders	15	(95,855,874)	-
Repayment of notes payable	19	(478,536)	-
Proceeds from borrowings	18	129,973,463	-
Repayment of borrowings		(120,653,909)	-
<b>Net cash used in financing activities</b>		<b>(111,812,891)</b>	<b>(43,600,733)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(17,538,508)</b>	<b>(15,936,579)</b>
Cash and cash equivalents at beginning of year		29,896,111	45,832,690
<b>Cash and cash equivalents at end of year</b>	14	<b>12,357,603</b>	<b>29,896,111</b>

**Principal non-cash transactions:**

The principal non-cash transactions consist mainly of:

- (i) Dividends declared not yet paid amounting to LL 244 million (note 29);
- (ii) Decrease in share capital not yet paid to shareholders amounting to LL 1.72 billion (note 29); and
- (iii) Dividend income not yet collected amounting to LL 820 million (note 12).

## Notes to the financial statements for the year ended 31 December 2016

### 1 General information

Holcim (Liban) S.A.L. ("the Company") is a joint stock company registered at the Beirut Commercial Court in 1929 under commercial register number 140. The Company's head office is in Antelias, Metn and the plant is located on plots that are situated within the municipalities of Chekka, Hery and Kefraya in the North of Lebanon.

The shares of the Company are listed on the Beirut Stock Exchange.

The principal activity of the Company consists of producing, selling and exporting Portland cement and related products.

The parent Company is Holcibel S.A., Belgium. The ultimate parent is LafargeHolcim Ltd., the address of its registered office is Zürcherstrasse 156, Jona, Switzerland.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The separate financial statements of Holcim (Liban) S.A.L. have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (together the "Group"). In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated. The consolidated financial statements can be obtained from Holcim (Liban) S.A.L. registered office: P.O. Box 11-396 Beirut, Lebanon.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2016 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### 2.1.1 Changes in accounting policy and disclosures

##### (a) *New standards, amended and interpretations adopted by the Company:*

There are no IFRS's or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that would be expected to have a material impact on the Company's separate financial statements.



## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policy and disclosures (continued)

##### *(b) New standards, amended and interpretations not yet adopted:*

- IFRS 16, 'Leases' (effective 1 January 2019) will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change. At this stage, the Company does not intend to adopt the standard before its effective date. Management is currently assessing the impact of the new standard on the Company's financial statements.
- IAS 7 'Statement of cash flows', effective as of 1 January 2017, require entities to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. At this stage, the Company does not intend to adopt the standard before its effective date. Management is currently assessing the impact of the new standard on the Company's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's separate financial statements.

### 2.2 Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in "Lebanese Pounds", which is the Company's functional and presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of comprehensive income within "finance costs - net". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other expenses - net".

## 2 Summary of significant accounting policies (continued)

### 2.3 Investment in subsidiary

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is accounted for at cost less impairment if any. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to liquidate.

Details of the Company's subsidiaries are shown in note 10.

### 2.4 Property, plant and equipment

Land and buildings comprise mainly factories and administrative offices. Property, plant and equipment are stated at historical cost or at "deemed cost" less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

	Years
Buildings	16.6
Plant and equipment	12.5
Office equipment	12.5
Vehicles	4

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other expenses - net' in the statement of comprehensive income.

## 2 Summary of significant accounting policies (continued)

### 2.5 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Company, are classified as investment properties. Investment properties comprise plots of land.

Investment properties are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associate with the items 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 comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other expenses - net' in the statement of comprehensive income.

### 2.6 Intangible assets

#### (a) *Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years).

#### (b) *Client list*

The Company acquired a client list from a previous competitor under a non-compete agreement. The client list is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over its estimated useful life of 10 years.

#### (c) *Extraction rights*

Land that is leased for its mineral resources is treated as intangible asset, is accounted for at cost and depleted over the period of the lease.

## **2 Summary of significant accounting policies (continued)**

### **2.7 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **2.8 Financial assets**

The Company classifies its financial assets under loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.12 and 2.13).

### **2.9 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### **2.10 Impairment of financial assets**

#### *Assets carried at amortised cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **2 Summary of significant accounting policies (continued)**

### **2.10 Impairment of financial assets (continued)**

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

### **2.11 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **2.12 Trade receivables**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### **2.13 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **2.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.15 Trade payables**

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **2.16 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.



## **2 Summary of significant accounting policies (continued)**

### **2.17 Current and deferred income tax**

The current income tax charge is calculated on the basis of tax laws enacted or substantially enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **2.18 Retirement benefit obligations**

The Company is subscribed to the compulsory defined benefit plan in accordance with the national social security fund regulations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less contributions to the fund, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by the Company using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

### **2.19 Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **2 Summary of significant accounting policies (continued)**

### **2.20 Decommissioning and site rehabilitation**

An obligation to incur decommissioning and site rehabilitation costs arises when environmental disturbance is caused by extraction or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to regular review. Costs are discounted to their net present value. They are provided when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged against profits through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost.

### **2.21 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated net of discounts, returns and value added taxes.

The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### *(a) Sales of goods*

Sales of goods are recognised when products are delivered to the customers. Delivery occurs when products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the product in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

#### *(b) Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered.

### **2.22 Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

### **2.23 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### **2.24 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### **2.25 Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

## 2 Summary of significant accounting policies (continued)

### 2.26 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded to the nearest thousand Lebanese Pound unless otherwise stated.

### 2.27 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

## 3 Financial risk management

### 3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

#### (a) Market risk

##### (i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Great Britain Pound ("GBP"), Swiss Franc ("CHF") and the Euro. The Company purchases some of its inventories from its suppliers in Euro, GBP and CHF whereas most sales are denominated in US Dollar. The Company is therefore exposed to foreign exchange risk with respect to the Euro, GBP and CHF. During 2016, purchases of inventories in foreign currencies amounted to LL 28.66 billion in Euro, LL 415 million in GBP and LL 19 million in CHF. There has been no change in the rate of the foreign exchange between the US Dollar and the Lebanese Pound during the year.

##### (ii) *Cash flow and fair value interest rate risk*

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from current and non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2016 and 2015, the Company's borrowings at variable rate were denominated in US Dollar. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift.

For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. During 2016, these scenarios did not show a significant effect on the Company's statement of comprehensive income.

##### (iii) *Price risk*

The Company is not exposed to price risk as it does not hold commodities or equity instruments that are classified as available for sale or at fair value through profit and loss.

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables. The Company deals with well reputable banks. As customers are not independently rated, risk control assesses the credit quality of the customer, taking into account its financial position, past experience letter of guarantees and other factors. The utilisation of credit limits is regularly monitored. Refer to note 11(b) for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

##### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

Surplus cash held by the Company over and above the balance required for working capital management is invested in interest bearing current accounts and term deposits.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year LL'000	Between 1 & 2 years LL'000	Between 2 & 10 years LL'000	Total LL'000
<b>At 31 December 2016</b>				
Loan from a related party	5,927,052	12,928,320	-	18,855,372
Borrowings (note 18)	9,319,554	-	-	9,319,554
Trade and other payables excluding statutory liabilities (note 23)	35,444,942	-	-	35,444,942
Notes payable	501,068	1,069,699	3,293,339	4,864,106
	<u>51,192,616</u>	<u>13,998,019</u>	<u>3,293,339</u>	<u>68,483,974</u>
<b>At 31 December 2015</b>				
Loan from a related party	5,301,702	-	13,410,720	18,712,422
Trade and other payables excluding statutory liabilities (note 23)	35,141,847	-	-	35,141,847
Notes payable	478,536	1,024,656	3,839,449	5,342,641
	<u>40,922,085</u>	<u>1,024,656</u>	<u>17,250,169</u>	<u>59,196,910</u>

### **3 Financial risk management (continued)**

#### **3.2 Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's capital employed consists mainly of the share capital, legal reserve, other reserve and retained earnings. Management believe that the current level of capital is sufficient to sustain the profitability of the Company and to safeguard its ability to continue as a going concern.

#### **3.3 Fair value estimation**

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Investment properties are carried at cost. The fair value disclosed in note 8 is measured based on a valuation performed by an independent appraiser, which is classified as level 2.

*Valuation techniques used to derive level 2 fair values:*

Level 2 fair values of investment properties have generally been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

There were no changes in valuation techniques during the period.

### **4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:



#### 4 Critical accounting estimates and judgements (continued)

##### (a) *Pension benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of government securities that have terms to maturity approximating the terms of the related liability.

Other key assumptions for pension obligations are based in part on current market conditions and on the Company's historical trend. Additional information is disclosed in note 20.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is disclosed in note 20.

##### (b) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated over the estimated useful life which is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance programme and the residual value. Management reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Land is not depreciated. Depreciation is calculated to allocate cost less residual values over the assets' estimated useful lives using the straight-line method.

A change of +/- 10% in useful life from management's estimates would increase / (decrease) the depreciation charge of property plant and equipment by approximately LL 1.04 / (1.59) billion.

##### (c) *Impairment of inventories*

Inventories are held at the lower of cost and net realisable value. Inventories are categorised based on their movements during the year, their physical condition and their expected future use, and accordingly, different proportions of the value of each category are recognised as a provision for slow moving and obsolete inventories. Management performed a review of the spare parts and consumables which involved a line by line physical inspection of each inventory item to assess obsolescence and usability.

(i) Every year, the Company conducts an analysis of the inventory's ageing to assess any possible impairment; and

(ii) Management provides annually for slow moving stock on a conservative basis.

Based on the results of the review, a provision for slow moving and obsolete inventories of LL 937 million (2015 - LL 1.62 billion) was taken during the year. The provision for slow moving and obsolete inventories at 31 December 2016 amounted to LL 11.60 billion (2015 - LL 10.86 billion).

A change of +/- 10% in obsolescence rates from management's estimates would increase/decrease the provision for slow moving and obsolete inventories by approximately LL 1.01 billion.

#### 4 Critical accounting estimates and judgements (continued)

##### (d) *Environmental provision*

The environmental provision represents the estimated restoration and remediation costs relating to a number of quarries owned and managed by the Company. The restoration expenditure will be spent on the quarry sites used for extraction of raw material, specifically limestone. A number of estimation uncertainties affect the calculation of the provision, including the impact of regulation, accuracy of site survey, transportation costs, the impact of alternative technologies and changes in the discount rate. This provision incorporates management's best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision. The undiscounted amount is the undiscounted best estimate of the liability having regard to these uncertainties.

A change of +/- 10% in the discount rates from management's estimates would increase/ (decrease) the environmental provision by approximately LL 315/(388) million.

##### (e) *Income tax*

Significant judgement is required in determining the provision for income tax. The Company treats certain expenditures as being deductible for tax purposes. However, the tax position in relation to such types of expenditure may not always be clear. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes might be due after inspection by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made.

The Company had no other major estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 5 Segment information

The Company's strategic steering committee examines the Company's performance from a product perspective and has identified one reportable segment of its business namely, the grey cement.

#### 6 Revenue

	2016 LL'000	2015 LL'000
Gross sales of cement	266,822,436	251,598,722
Sales of clinker (note 32)	999,473	678,375
Discounts	(21,278,267)	(24,265,873)
	<u>246,543,642</u>	<u>228,011,224</u>

There was a concentration of sales in respect of five major customers who account for 21.86 % of total sales for the year.

## 7 Property, plant and equipment

	Land LL'000	Buildings LL'000	Plant and equipment LL'000	Vehicles LL'000	Office equipment LL'000	Total LL'000
<b>At 1 January 2015</b>						
Cost	66,873,553	157,861,034	418,898,034	3,736,016	8,357,307	655,725,944
Accumulated depreciation	-	(151,025,972)	(297,430,911)	(3,403,940)	(8,313,324)	(460,174,147)
Net book amount	<u>66,873,553</u>	<u>6,835,062</u>	<u>121,467,123</u>	<u>332,076</u>	<u>43,983</u>	<u>195,551,797</u>
<b>Year ended 31 December 2015</b>						
Opening net book amount	66,873,553	6,835,062	121,467,123	332,076	43,983	195,551,797
Additions	-	1,313,852	14,157,907	-	-	15,471,759
Depreciation charge (note 24)	-	(654,409)	(15,449,100)	(181,264)	(16,674)	(16,301,447)
Closing net book amount	<u>66,873,553</u>	<u>7,494,505</u>	<u>120,175,930</u>	<u>150,812</u>	<u>27,309</u>	<u>194,722,109</u>
<b>At 31 December 2015</b>						
Cost	66,873,553	159,174,886	433,055,937	3,736,016	8,113,616	670,954,008
Accumulated depreciation	-	(151,680,381)	(312,880,007)	(3,585,204)	(8,086,307)	(476,231,899)
Net book amount	<u>66,873,553</u>	<u>7,494,505</u>	<u>120,175,930</u>	<u>150,812</u>	<u>27,309</u>	<u>194,722,109</u>

## 7 Property, plant and equipment (continued)

	Land LL'000	Buildings LL'000	Plant and equipment LL'000	Vehicles LL'000	Office equipment LL'000	Total LL'000
<b>Year ended 31 December 2016</b>						
Opening net book amount	66,873,553	7,494,505	120,175,930	150,812	27,309	194,722,109
Additions	-	-	9,917,605	187,341	-	10,104,946
Depreciation charge (note 24)	-	(696,111)	(16,389,216)	(126,837)	(6,830)	(17,218,994)
<b>Closing net book amount</b>	<b>66,873,553</b>	<b>6,798,394</b>	<b>113,704,319</b>	<b>211,316</b>	<b>20,479</b>	<b>187,608,061</b>
<b>At 31 December 2016</b>						
Cost	66,873,553	159,174,886	442,973,542	3,837,189	8,113,616	680,972,786
Accumulated depreciation	-	(152,376,492)	(329,269,223)	(3,625,873)	(8,093,137)	(493,364,725)
<b>Net book amount</b>	<b>66,873,553</b>	<b>6,798,394</b>	<b>113,704,319</b>	<b>211,316</b>	<b>20,479</b>	<b>187,608,061</b>

The Company's property, plant and equipment are stated at "deemed cost" which represents the revaluation amount as determined by an independent revaluation carried out in 1997 based on market values at 31 December 1993. The revaluation resulted in an increase in the value of property, plant and equipment of LL 56.24 billion over their carrying amount (note 17).

Depreciation expense is included in cost of sales (LL 15.82 billion; 2015 - LL 14.89 billion), distribution costs (LL 1.34 billion; 2015 - LL 1.37 billion) and administrative expenses (LL 49.33 million; 2015 - LL 42.01 million).

## 8 Investment properties

Investment properties consist of 42 plots of land not used in the Company's operations.

	2016 LL'000	2015 LL'000
<b>Property location</b>		
Hery	9,216,735	9,216,735
Kefraya	1,711,916	1,711,916
Hamat	1,148,516	1,148,516
<b>At 31 December</b>	<b>12,077,167</b>	<b>12,077,167</b>

An independent valuation of the Company's investment properties was performed by an independent expert to determine the fair value of the investment properties at 31 December 2015.

The valuation technique used by the independent expert was that of level 2 and was derived using the sales comparison approach.

The fair value was estimated to be LL 37.29 billion and has not fluctuated materially since then.

## 9 Intangible assets

	Extraction rights LL'000	Client list LL'000	Software and other intangible assets LL'000	Total LL'000
<b>At 1 January 2015</b>				
Cost	32,478,103	58,340,250	570,473	91,388,826
Accumulated amortisation and depletion	(10,038,617)	(58,312,278)	(555,383)	(68,906,278)
Net book amount	22,439,486	27,972	15,090	22,482,548
<b>Year ended 31 December 2015</b>				
Opening net book amount	22,439,486	27,972	15,090	22,482,548
Additions	1,042,466	-	-	1,042,466
Depletion charge (note 24)	(1,128,449)	-	-	(1,128,449)
Amortisation charge (note 24)	-	(27,972)	-	(27,972)
Closing net book amount	22,353,503	-	15,090	22,368,593
<b>At 31 December 2015</b>				
Cost	33,520,569	58,340,250	570,473	92,431,292
Accumulated amortisation and depletion	(11,167,066)	(58,340,250)	(555,383)	(70,062,699)
Net book amount	22,353,503	-	15,090	22,368,593



## 9 Intangible assets (continued)

	Extraction rights LL'000	Client list LL'000	Software and other intangible assets LL'000	Total LL'000
<b>Year ended 31 December 2016</b>				
Opening net book amount	22,353,503	-	15,090	22,368,593
Depletion charge (note 24)	(1,163,200)	-	-	(1,163,200)
<b>Closing net book amount</b>	<b>21,190,303</b>	<b>-</b>	<b>15,090</b>	<b>21,205,393</b>
<b>At 31 December 2016</b>				
Cost	33,520,569	-	570,473	34,091,042
Accumulated amortisation and depletion	(12,330,266)	-	(555,383)	(12,885,649)
<b>Net book amount</b>	<b>21,190,303</b>	<b>-</b>	<b>15,090</b>	<b>21,205,393</b>

## 10 Investment in subsidiaries

	Country of incorporation	Percentage ownership in %	2016 LL'000	2015 LL'000
Boğaz Endüstri ve Madencilik Limited Société Libanaise des Ciments Blancs S.A.L.	Turkish republic of North Cyprus	100	19,342,709	19,342,709
Holcim Beton S.A.L.	Lebanon	65.99	9,867,453	9,867,453
Energis Liban S.A.L.	Lebanon	97.82	5,604,406	5,604,406
EDP Centre S.A.R.L. (under liquidation)	Lebanon	100	352,441	352,441
			151	151
			<b>35,167,160</b>	<b>35,167,160</b>
Provision for impairment of investment in subsidiaries			(5,917,998)	(5,917,998)
			<b>29,249,162</b>	<b>29,249,162</b>

The breakdown of provision for impairment of investment in subsidiaries is as follows:

	2016 LL'000	2015 LL'000
Holcim Beton S.A.L.	5,604,406	5,604,406
Energis Liban S.A.L.	313,441	313,441
EDP Centre S.A.R.L. (under liquidation)	151	151
<b>At 31 December</b>	<b>5,917,998</b>	<b>5,917,998</b>

As explained in note 2.1 "Basis of preparation", the financial statements relate to the separate entity and are presented on a non-consolidation basis. The Company has also prepared consolidated financial statements in accordance with IFRS for the Group.



**11a Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

	2016 LL'000	2015 LL'000
<b>Assets as per balance sheet</b>		
<b>Loans and receivables</b>		
Trade and other receivables excluding prepayments (notes 12)	67,946,320	62,649,963
Cash and cash equivalents (note 14)	12,357,603	29,896,111
	<u>80,303,923</u>	<u>92,546,074</u>
<b>Liabilities as per balance sheet</b>		
<b>Other financial liabilities</b>		
Loan from a related party (note 32)	12,060,000	12,060,000
Borrowings (note 18)	9,319,554	-
Trade and other payables excluding statutory liabilities (note 23)	41,689,295	40,998,921
Notes payable (note 19)	3,801,889	4,280,425
	<u>66,870,738</u>	<u>57,339,346</u>

**11b Credit quality of financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	2016 LL'000	2015 LL'000
<b>Trade receivables (note 12)</b>		
Counterparties without external credit rating:		
Group 1	358,346	821,940
Group 2	1,647,234	651,054
	<u>2,005,580</u>	<u>1,472,994</u>
<b>Cash at banks and short term bank deposits (note 14)</b>		
Cash at banks and short term deposits	<u>4,791,706</u>	<u>13,589,552</u>

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no default in the past.

**12 Trade and other receivables**

	2016 LL'000	2015 LL'000
Trade receivables - net of rebates	50,244,740	45,246,380
Notes receivable	8,177,894	6,407,089
Provision for impairment of trade receivables	(24,560,251)	(24,568,271)
Trade receivables - net	33,862,383	27,085,198
Amounts due from related parties (note 32)	12,614,484	15,907,402
Notes receivable	10,460,982	11,689,340
Advances to suppliers	6,277,261	4,378,946
Advances to employees	1,120,949	1,141,259
Prepaid rent	1,180,526	1,525,529
Dividends receivable	820,418	-
Other receivables	2,789,843	2,447,818
	69,126,846	64,175,492
Less: non-current portion of notes receivable	(16,022,254)	(16,143,817)
Less: non-current portion of prepaid rent	(908,634)	(1,180,526)
	52,195,958	46,851,149

The carrying amount of the trade and other receivables approximate their fair value at 31 December 2016 and 2015.

Trade receivables are secured by bank guarantees of LL 25.65 billion (2015 - LL 24.41 billion).

At 31 December 2016, trade receivables of LL 23.68 billion (2015 - LL 19.21 billion) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016 LL'000	2015 LL'000
Up to 3 months	8,587,877	11,779,322
Over 3 months	15,100,032	7,425,793
	23,678,909	19,205,115

At 31 December 2016, trade receivables of LL 24.56 billion (2015 - 24.57 billion) were impaired and provided for.

Movements on the Company provision for impairment of trade and other receivables are as follows:

	2016 LL'000	2015 LL'000
At 1 January	24,568,271	23,927,838
Provision for the impairment of trade receivables (note 24)	8,021	662,281
Receivables written-off during the year as uncollectible	(16,041)	(21,848)
At 31 December	24,560,251	24,568,271

**12 Trade and other receivables (continued)**

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The carrying amounts of the Company's trade and other receivables are mainly denominated in US Dollar and Lebanese Pound. There has been no change in the rate of foreign exchange between the US Dollar and the Lebanese Pound during the year (1 US Dollar equals 1,507.5 Lebanese Pounds).

The Company's non-current portion of trade and other receivables consist of the following:

	2016 LL'000	2015 LL'000
Notes receivable from Societe pour le commerce de l'immobilier S.A.L.	9,348,916	10,291,144
Due from a related party (note 32)	1,600,660	1,600,660
Prepaid rent	908,634	1,180,526
Other notes receivable	6,673,338	5,852,673
	<u>18,531,548</u>	<u>18,925,003</u>
Less: provision for impairment of due from a related party balance	(1,600,660)	(1,600,660)
	<u>16,930,888</u>	<u>17,324,343</u>

The maturity of the above trade and notes receivables is as follows:

Within 1 year	2,616,622	1,952,612
After 1 year but not more than 5 years	10,447,585	9,423,863
Over 5 years	5,574,669	6,719,954
	<u>18,638,876</u>	<u>18,096,429</u>

All non-current notes receivable are due within 10 years from the end of the reporting period.

The effective interest rates on these notes receivable ranges between 4% and 6%.

**13 Inventories**

	2016 LL'000	2015 LL'000
Raw materials and combustibles	19,910,633	26,801,994
Consumables - spare parts	23,176,466	23,973,941
Finished goods - cement	5,948,328	3,673,983
Work in progress	2,810,862	9,526,140
Goods in transit	2,152,933	2,051,643
	<u>53,999,222</u>	<u>66,027,701</u>
Provision for slow moving and obsolete inventories	(11,604,321)	(10,864,087)
<b>Total inventory - net</b>	<u>42,394,901</u>	<u>55,163,614</u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to LL 94.61 billion (2015 - LL 118.02 billion).

**13 Inventories (continued)**

Movement of the Company's provision for slow moving and obsolete inventories is as follows:

	2016 LL'000	2015 LL'000
At 1 January	10,864,087	9,242,619
Provision for the year (note 24)	937,742	1,621,468
Write-off of obsolete inventories	(197,508)	-
<b>At 31 December</b>	<b>11,604,321</b>	<b>10,864,087</b>

**14 Cash and cash equivalents**

Cash at banks	4,791,706	13,589,552
Cheques under collection	7,565,897	16,306,559
	<b>12,357,603</b>	<b>29,896,111</b>

**15 Share capital**

At 31 December 2016, the Company's share capital consists of 19,516,040 fully paid shares with a nominal value of LL 5,000 (2015 - LL 10,000) each.

	2016 LL'000	2015 LL'000
Share capital	97,580,200	195,160,400

A resolution was taken at the extraordinary general assembly of 14 December 2010 to reduce the Company's share capital from LL 195.16 billion to LL 97.58 billion (i.e., by an amount of LL 97.58 billion). The decrease in share capital was finalised and booked during 2016 when all legal formalities were completed. Accordingly, the nominal value per share was reduced from LL 10,000 to LL 5,000. An amount of LL 95.86 billion was repaid to shareholders during 2016 and the remaining balance of LL 1.72 billion was payable to the shareholders at the balance sheet date.

**16 Legal reserve**

As required by the Lebanese Code of Commerce and in accordance with the Company's Articles of Association, an annual appropriation of 10% of net profit for the year is made to legal reserve, until such reserve reaches one third of the Company's share capital. The legal reserve is not available for distribution to the shareholders.

**17 Other reserve**

Other reserve of LL 50.61 billion represents the amount of the revaluation reserve net of tax of LL 5.62 billion that arose on revaluation of property, plant and equipment in 1997. The revaluation surplus is subject to capital gains tax. Accordingly, a deferred tax liability of LL 5.62 billion is carried in respect of this temporary difference (note 22).

**18 Borrowings**

	2016 LL'000	2015 LL'000
<b>Current</b>		
Bank overdraft	9,319,554	-

The bank overdraft is subject to an interest rate of 3.7%.

**19 Notes payable**

	2016 LL'000	2015 LL'000
The maturity of these notes payable is as follows:		
Non-current	3,300,821	3,830,046
Current	501,068	450,379
<b>At 31 December</b>	<b>3,801,889</b>	<b>4,280,425</b>

During 2015, the Company reached an agreement with the National Social Security Fund ("NSSF") to schedule the settlement of a long outstanding disputed assessment of LL 4.74 billion. An amount of LL 237 million was paid upfront while the remaining balance of LL 4.5 billion is payable by 120 monthly instalments. The last instalment payment is due on 25 April 2025. The effective interest rate on these notes payable is 5%.

**20 Retirement benefit obligations**

The Company is subject to the NSSF defined benefit plan which is in the nature of an end of service indemnity for the benefit of its employees.

The movement in the liability recognised in the balance sheet is as follows:

	2016 LL'000	2015 LL'000
<b>At 1 January</b>	<b>5,875,297</b>	<b>7,314,716</b>
Current service cost	49,481	122,422
Interest expense	309,597	416,370
<b>Total amount recognised in profit or loss</b>	<b>359,078</b>	<b>538,792</b>
<i>Remeasurements</i>		
(Gain) loss from change in financial assumption	-	(723,839)
Experience (gains) losses	118,352	(726,030)
<b>Total amount recognised in other comprehensive income</b>	<b>118,352</b>	<b>(1,449,869)</b>
Benefit payments during the year	(591,472)	(528,342)
<b>At 31 December</b>	<b>5,761,255</b>	<b>5,875,297</b>

In accordance with the provisions of IAS 19 and the National Social Security Fund regulations, management has carried out an exercise to assess the present value of its retirement benefit obligations as at 31 December 2016 using the projected unit credit method. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

**20 Retirement benefit obligations (continued)**

The significant actuarial assumptions were as follows:

	2016	2015
Discount rate	5.5%	5.5%
Expected rate of return on contributions	5.0%	5.0%
Salary growth rate	4.0%	2.0% to 4.0%
Mortality rate	None	None
Turnover rate	None	None
Retirement age	Earliest of 64 or completion of 20 years of contribution	Earliest of 64 or completion of 20 years of contribution

Sensitivity analyses on the above show that a +/- 10% change in the above assumptions does not give rise to a significant effect on the statement of comprehensive income.

**21 Provision for risk and charges**

	2016 LL'000	2015 LL'000
<b>Non-current</b>		
Environmental restoration	3,740,468	3,371,685
Other provisions	734,560	734,560
	<u>4,475,028</u>	<u>4,106,245</u>
<b>Current</b>		
Restructuring	2,664,172	4,950,630
Other provisions	-	64,609
	<u>2,664,172</u>	<u>5,015,239</u>
	<u>7,139,200</u>	<u>9,121,484</u>

Movements in each class of provision during the financial year are set out below:

	Restructuring LL'000	Environmental LL'000	Other LL'000	Total LL'000
<b>At 1 January 2015</b>	-	3,412,046	734,560	4,146,606
Charged / (credited) to profit or loss				
- additional provisions recognised	4,950,630	77,001	64,609	5,092,240
Amounts used during the year	-	(117,362)	-	(117,362)
<b>At 1 January 2016</b>	<u>4,950,630</u>	<u>3,371,685</u>	<u>799,169</u>	<u>9,121,484</u>
Charged / (credited) to profit or loss				
- unwinding of discount	-	(281,313)	-	(281,313)
- additional provisions recognised	-	650,096	-	650,096
Amounts used during the year	(2,286,458)	-	(64,609)	(2,351,067)
<b>At 31 December 2016</b>	<u>2,664,172</u>	<u>3,740,468</u>	<u>734,560</u>	<u>7,139,200</u>



**21 Provision for risk and charges (continued)***(i) Restructuring*

Provision for restructuring costs relates to a restructuring programme where employees aged 60 and above were offered an early retirement plan. This programme was first introduced during the year ended 31 December 2015. The Company took a provision of LL 4.95 billion in this respect during 2015.

*(ii) Environmental restoration*

The Company extracts mineral resources from its quarries as part of its ongoing production. A provision is made for the present value of costs to be incurred for the restoration of the extraction sites.

*(iii) Other provisions*

The balance of LL 0.7 billion relates to sundry contingencies.

**22 Income tax expense**

The income tax expense for the year is determined as follows:

	2016 LL'000	2015 LL'000
Profit before income tax	87,634,506	32,664,625
Income tax expenses at statutory rate of 15%	13,145,176	4,899,694
Effect of expenses not deductible for tax purposes:		
Provision for sales discounts	2,240,984	1,683,946
Provision for slow moving and obsolete inventories	140,661	243,220
Provision for risk and charges	55,315	742,595
Provision for impairment of trade and other receivables	1,203	99,342
Other non-deductible expenses	217,503	388,854
Effect of revenue not taxable for tax purposes:		
Dividend income	(848,019)	(449,915)
Reversal of sales discounts	(1,683,946)	(844,151)
Other income	(59,612)	(793)
Tax charge for the year	13,209,265	6,762,792
Adjustment in respect of prior years' tax	-	994,229
<b>Total current tax</b>	<b>13,209,265</b>	<b>7,757,021</b>
Change in deferred income tax liability (see below)	226,000	(1,167,627)
<b>Income tax expense</b>	<b>13,435,265</b>	<b>6,589,394</b>

Open tax years that remain subject to examination and acceptance by the tax authorities are the financial years 2012 to 2016.

Open tax years that remain subject to examination and acceptance by the value-added tax authorities are the financial years 2015 and 2016.

**22 Income tax expense (continued)**

Movement in the current income tax liability is as follows:

	2016 LL'000	2015 LL'000
Balance brought forward	6,762,792	5,540,579
Provision for the year	13,209,265	6,589,394
Payments during the year	(6,762,158)	(4,372,952)
Adjustment in respect of prior year taxes	-	(994,229)
<b>At 31 December</b>	<b>13,209,899</b>	<b>6,762,792</b>

Movement in the deferred income tax liability is as follows:

Balance brought forward	856,487	2,024,114
<i>Credited to statement of comprehensive income</i>		
Release (provision) for restructuring	385,349	(742,595)
Release (provision) for trade and other receivables	1,203	(99,361)
Provision for slow moving and obsolete inventories	(111,035)	(243,220)
Provision for environmental restoration	(48,531)	(730)
Other	(986)	(81,721)
<b>Balance carry forward</b>	<b>1,082,487</b>	<b>856,487</b>

The balance comprises temporary differences attributable to:

<i>Deferred tax liability</i>		
Tax on land revaluation surplus (note 17)	5,623,726	5,623,726
<i>Deferred tax asset</i>		
Trade and other receivables	(1,799,519)	(1,800,722)
Inventories	(1,740,648)	(1,629,613)
Environmental restoration	(561,067)	(512,536)
Restructuring provision	(357,246)	(742,595)
Other	(82,759)	(81,773)
<b>Net deferred tax liability</b>	<b>1,082,487</b>	<b>856,487</b>

Deferred income tax assets and liabilities were offset as they relate to taxes levied by the same taxation authority.

**23 Trade and other payables**

	2016 LL'000	2015 LL'000
Trade payables	19,486,747	22,830,624
Amounts due to related parties (note 32)	8,015,925	6,320,937
Accrued expenses	5,074,695	4,736,041
Interest payable (note 32)	5,301,702	4,672,376
Value-added tax payable	3,500,210	1,904,230
Payable to shareholders (note 29)	2,867,575	1,254,245
Other taxes	1,851,295	2,647,091
Advances from customers	942,651	1,184,698
	<b>47,040,800</b>	<b>45,550,242</b>

**24 Expenses by nature**

	2016 LL'000	2015 LL'000
Combustibles	33,316,699	55,150,949
Raw materials	24,638,534	28,831,216
Employee benefit expenses (note 25)	21,811,127	31,270,190
Spare parts, consumables and maintenance expense	18,152,573	16,442,498
Depreciation charge (note 7)	17,218,994	16,301,447
Transportation charges	8,778,151	8,409,488
Packing materials	5,285,796	5,542,411
Changes in inventories of finished goods and work in progress	4,440,940	(7,184,963)
Other taxes	3,944,413	3,544,117
Purchased semi-finished and finished goods	3,813,310	11,337,824
Contractual employees	1,884,404	3,416,379
Rent charges	1,231,912	1,404,073
Other third party services	1,472,922	2,887,192
Amortisation and depletion charges (note 9)	1,163,200	1,156,421
Provision for slow moving and obsolete inventories (note 13)	937,742	1,621,468
Provision for risk and charges (note 21)	650,096	77,001
Professional fees	392,494	801,650
Provision for impairment of trade and other receivables (note 12)	(8,021)	662,281
Other expenses - net	4,986,935	6,930,681
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>154,112,221</b>	<b>188,602,323</b>

**25 Employee benefit expenses**

Employee benefit expenses include the following:

Salaries and wages	13,033,064	13,809,002
Seconded personnel	2,142,065	2,044,398
Social security contributions	1,921,146	1,969,751
Transportation allowance	508,200	532,640
Restructuring charge	-	5,011,997
NSSF additional charges	-	4,740,794
Other benefits	4,206,652	3,161,608
	<b>21,811,127</b>	<b>31,270,190</b>

Salaries and wages of LL 13.03 billion (2015 - 13.81 billion) have been charged in the statement of comprehensive income as part of the following captions:

- (i) Cost of sales: LL 8.96 billion (2015 - 9.50 billion);
- (ii) Distribution cost: LL 1.48 billion (2015 - 1.46 billion); and
- (iii) Administrative expenses: LL 2.59 billion (2015 - 2.85 billion).

**26 Other expenses - net**

	2016 LL'000	2015 LL'000
Technical assistance (IFF)	10,561,804	9,956,079
Gain on foreign exchange - net	(448,623)	(1,345,740)
Gain on sale of fixed assets	(12,675)	-
	<b>10,100,506</b>	<b>8,610,339</b>

**27 Finance costs - net**

	2016 LL'000	2015 LL'000
<i>Finance costs:</i>		
Interest expense on a loan granted by a related party (note 32)	692,256	717,357
Interest expense on bank overdraft	323,205	491,154
Other charges	746,018	598,996
	<u>1,761,479</u>	<u>1,807,507</u>
<i>Finance income:</i>		
Interest income on bank deposits	672,178	18,535
Interest income on notes receivable	458,097	539,864
Unwinding of discount	281,313	-
Other interest income	24	115,740
	<u>1,411,612</u>	<u>674,139</u>
<b>Finance costs - net</b>	<u><u>349,867</u></u>	<u><u>1,133,368</u></u>

**28 Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2016	2015
Profit attributable to equity holders of the Company (LL'000)	74,199,241	26,075,231
Weighted average number of ordinary shares in issue	19,516,040	19,516,040
Basic earnings per share (LL per share)	<u><u>3,802</u></u>	<u><u>1,336</u></u>

**29 Dividends per share**

The General Assembly meeting held on 15 June 2016 took the resolution to distribute dividends of LL 25.04 billion (LL 1,284 per share) on account of the financial year 2015.

The General Assembly meeting held on 28 May 2015 took the resolution to distribute dividends of LL 43.86 billion (LL 2,247 per share) on account of the financial year 2014.

An amount of LL 2.87 billion (2015 - LL 1.25 billion) was outstanding at the balance sheet date as payable to shareholders (note 23). The amounts relate to the following years:

- (i) An amount of LL 244 million relates to the dividends distribution in 2016;
- (ii) An amount of LL 259 million relates to the dividends distribution in 2015;
- (ii) An amount of LL 157 million relates to the dividends distribution in 2014;
- (iii) An amount of LL 125 million relates to the dividends distribution in 2013;
- (iv) An amount of LL 193 million relates to the dividends distribution in 2012;
- (v) An amount of LL 1.72 billion relates to the decrease in share capital in 2016; and
- (vi) An amount of LL 164 million relates to the decrease in share capital in 2006.

**30 Contingencies**

	2016 LL'000	2015 LL'000
Bank guarantees	5,588,804	5,588,804
Letters of credit	43	211,774

**(a) Legal claims**

The Company's accounting records were examined by the National Social Security Fund ("NSSF") for the period from 1 January 1982 to 30 September 2007. The review resulted in an assessment and in additional subscriptions due of LL 5.42 billion. An objection was submitted in respect of the assessment which was rejected by the Labour Council of Beirut. The Company has since filed an appeal.

During 2015, the Company availed itself of the opportunity (i) to settle the amount due by instalments (ii) to benefit from an exemption from delay penalties whilst maintaining its appeal against the assessment.

The exemption from delay penalties is not considered final until the entire social security debt is settled.

**(b) Tax assessments***(i) Income tax and VAT departments*

During 2013, the Company's accounting records were examined by the income tax department and VAT department for the fiscal years 2008 to 2011. Final assessments have been issued amounting to LL 6.50 billion for income tax and LL 801 million for VAT which were settled by the Company during 2014.

Open tax years that remain subject to examination and acceptance by the income tax and VAT departments are the financial years 2012 and 2016. No provision has been made for the open tax years as the ultimate outcome of such examinations cannot presently be reliably determined.

*(ii) National Social Security Fund*

The period up to April 2016 was cleared by the National Social Security Fund.

**31 Capital commitments**

Capital expenditure contracted for at the end of the reporting period but not yet recognised as liabilities is as follows:

	2016 LL'000	2015 LL'000
Property, plant and equipment	-	5,532,525

### 32 Related-party transactions

The Company is controlled by its parent company, Holcibel S.A., Belgium, which owns 52.12% of the Company's shares. In addition to the parent company, related parties comprise the Company's directors, shareholders, and other companies under common control. The Company maintains significant balances with these related parties which arise from operating and financing transactions as follows:

	2016 LL'000	2015 LL'000
<b>(a) Transactions with related parties</b>		
<i>(i) Transactions with subsidiaries:</i>		
Sales of goods	4,013,906	7,347,958
Sales of clinker	999,473	678,375
Income from services	1,926,604	1,954,154
Net interest expense on borrowing (note 27)	(692,256)	(717,357)
Service fees	(80,135)	(78,972)
Purchase of goods	-	361,476
Recharged costs within related parties	1,045,177	787,305
<i>(ii) Transactions with fellow subsidiaries:</i>		
Purchase of goods	(19,808,365)	(23,214,645)
Service fees	(14,128,243)	(13,631,868)
Income from services	314,777	151,583
The above related party transactions were carried out on commercial terms and conditions.		
	2016 LL'000	2015 LL'000
<i>(iii) Key management compensation:</i>		
Key management personnel	1,531,577	1,581,332
<i>(iv) Dividend income from subsidiaries:</i>		
Boğaz Endüstri ve Madencilik Limited	3,081,669	-
Société Libanaise des Ciments Blancs S.A.L.	2,571,789	2,999,431
	5,653,458	2,999,431



**32 Related-party transactions (continued)****(b) Outstanding balances with related parties****(i) Amount due from a related party (non-current) (note 12):**

	2016 LL'000	2015 LL'000
Due from a subsidiary	1,600,660	1,600,660
Less: provision for impairment of a related party balance	(1,600,660)	(1,600,660)
	<u>-</u>	<u>-</u>

**(ii) Amounts due from related parties (current) (note 12):**

Due from subsidiaries	17,104,336	20,395,978
Provision for impairment of due from Holcim Beton S.A.L.	(4,809,769)	(4,809,769)
Due from fellow subsidiaries	309,213	231,928
Other related parties	10,704	89,265
	<u>12,614,484</u>	<u>15,907,402</u>

**(iii) Amounts due to related parties (note 23):**

Due to fellow subsidiaries	6,899,042	5,236,275
Due from a subsidiary	985,719	872,399
Other related parties	131,164	212,263
	<u>8,015,925</u>	<u>6,320,937</u>

Balances with related parties do not carry interest and do not have specified repayment terms.

	2016 LL'000	2015 LL'000
<b>(iv) Loan from a subsidiary:</b>		
Société Libanaise des Ciments Blancs S.A.L.	12,060,000	12,060,000
Accrued interest payable	5,301,702	4,672,376
	<u>17,361,702</u>	<u>16,732,376</u>

The Company has an unconditional right to defer settlement of this loan for at least 12 months from the balance sheet date and, accordingly, it was classified as non-current. The loan was subject to an effective interest rate of 3.7% during the year (2015 - 4%).