

HOLCIM LIBAN SAL
SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2015

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HOLCIM LIBAN SAL

We have audited the accompanying separate financial statements of Holcim Liban SAL (the Company), which comprise the separate statement of financial position as at 31 December 2015 and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Basis for Qualified Opinion

As disclosed in Note 25 to the financial statements, during 2015, the Company, in order to benefit from the exemption on penalties on payment delays per law 269 dated 15 April 2014, signed an instalment schedule to settle the additional subscriptions resulting from the review performed by the National Social Security Fund (NSSF) during 2007, covering the period from 1 January 1982 to 30 September 2007 and amounting to LL (000) 4,740,794. The Company did not make a provision for the additional subscriptions as at 31 December 2014. In accordance with IAS 8, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by restating the comparative amounts for the prior period presented in which the error occurred. Accordingly, had the Company properly restated the comparative amounts for the prior period, profit for the year ended 31 December 2015 should be increased by LL (000) 4,740,794 and the profit for the year ended 31 December 2014 should be decreased by the same amount.



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Qualified Opinion

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" paragraph above, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.


Ernst & Young

30 March 2016
Beirut, Lebanon

Zouhair Chaar


ZOUHAIR I. CHAAR
Sworn - in Surveyor

HOLDİM LİDAN SAL

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 LL (000)	2014 LL (000)
Sale of goods		228,011,224	274,527,303
Production cost of goods sold	4	(144,141,337)	(180,748,681)
GROSS PROFIT		83,869,887	93,778,622
Distribution and selling costs	4	(23,453,278)	(25,028,110)
Administrative expenses	4	(15,992,469)	(16,235,612)
Gain on disposal of investment properties	12	-	4,486,830
Other operating income / (expenses)	5	(8,610,339)	(11,601,083)
Dividend income	27	2,999,431	2,510,333
Interest income	6	574,130	450,989
Finance costs	7	(1,807,507)	(1,486,802)
Provision (write-back of provision) for risks and charges	24	(5,615,239)	5,623,904
PROFIT BEFORE TAX		32,664,625	52,899,077
Income tax expense	8	(6,589,394)	(5,198,655)
PROFIT FOR THE YEAR		26,075,231	47,700,422
<i>Elements of other comprehensive income that will not be reclassified in subsequent periods:</i>			
Re-measurement gain on defined benefits plans	23	1,449,867	1,318,333
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,525,098	49,018,755
		LL	LL
Basic/diluted earnings per share	9	1,336	2,444

HOLCIM LIBAN SAL

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 LL (000)	2014 LL (000)
ASSETS			
Non - current assets			
Property, plant and equipment	11	194,722,109	195,551,797
Investment properties	12	12,077,167	12,077,167
Intangible assets	13	22,368,593	22,482,548
Investments in subsidiaries	14	27,793,533	27,793,533
Other financial assets	15	17,324,343	16,181,171
		<u>274,285,745</u>	<u>274,086,216</u>
Current assets			
Inventories	16	55,163,614	60,697,462
Accounts receivable and prepayments	17	51,660,710	47,064,620
Bank balances and cash	18	20,896,111	45,832,690
		<u>136,720,435</u>	<u>153,594,772</u>
TOTAL ASSETS		<u>411,006,388</u>	<u>427,680,988</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	195,160,400	195,160,400
Statutory reserve	20	49,548,302	44,646,428
Revaluation reserve	21	50,613,023	50,613,023
Retained earnings		27,823,796	49,060,305
Total equity		<u>323,145,521</u>	<u>339,480,156</u>
Non - current liabilities			
Loans and borrowings	22	12,060,000	12,060,000
Notes payable	25	3,830,046	-
Provision for employees' end of service benefits	23	5,875,299	7,314,716
Provisions for risks and charges	24	7,460,383	7,500,744
Deferred tax liability	8	856,487	2,024,114
		<u>30,082,215</u>	<u>28,899,574</u>
Current liabilities			
Accounts payable and accruals	26	45,550,242	53,711,377
Loans and borrowings	22	-	1,216,929
Notes payable	25	450,379	-
Provisions for risks and charges	24	5,015,239	-
Income tax payable	8	6,762,792	4,372,952
		<u>57,778,652</u>	<u>59,301,258</u>
Total liabilities		<u>87,860,867</u>	<u>88,200,832</u>
TOTAL EQUITY AND LIABILITIES		<u>411,006,388</u>	<u>427,680,988</u>

The financial statements were authorized for issue by a decision of the board of the directors on 30 March 2016.

The attached notes 1 to 29 form part of these separate financial statements.

HOLCIM LIBAN SAL

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Share capital LL (000)	Statutory reserve LL (000)	Revaluation reserve LL (000)	Retained earnings LL (000)	Total LL (000)
Balance at 1 January 2014		195,160,400	41,360,789	50,613,023	32,909,397	320,043,609
Net profit for the year		-	-	-	47,700,422	47,700,422
Other comprehensive income for the year		-	-	-	1,318,333	1,318,333
Total comprehensive income for the year		-	-	-	49,018,755	49,018,755
Transfer to statutory reserve	20	-	3,285,639	-	(3,285,639)	-
Dividends paid	10	-	-	-	(29,582,208)	(29,582,208)
Balance as at 31 December 2014		195,160,400	44,646,428	50,613,023	49,060,305	339,480,156
Net profit for the year		-	-	-	26,075,231	26,075,231
Other comprehensive gain for the year		-	-	-	1,449,867	1,449,867
Total comprehensive income for the year		-	-	-	27,525,098	27,525,098
Transfer to statutory reserve	20	-	4,901,874	-	(4,901,874)	-
Dividends paid	10	-	-	-	(43,859,733)	(43,859,733)
Balance as at 31 December 2015		195,160,400	49,548,302	50,613,023	27,823,796	323,145,521

The attached notes 1 to 30 form part of these separate financial statements.

HOLCIM LIBAN SAL

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 LL (000)	2014 LL (000)
OPERATING ACTIVITIES			
Profit before tax		32,664,625	52,899,077
Adjustments for:			
Depreciation and amortization	4	17,457,868	23,654,495
Gain on disposal of investment properties		-	(4,486,830)
Interest income	6	(674,139)	(450,989)
Dividend income	28	(2,999,431)	(2,910,339)
Finance costs	7	1,807,507	1,486,802
Net movement in provision for employees' end of service benefits	4	10,450	(695,209)
Provision (write back of provision) for doubtful debts	17	662,281	(75,313)
Provision for risks and charges	24	5,092,240	347,888
Write back of provision for risks and charges	24	-	(5,623,904)
Provision for slow moving and obsolete inventory, net	16	1,621,468	1,150,670
		55,642,869	65,296,348
Working capital changes:			
Inventories		3,912,380	3,780,930
Accounts receivable and prepayments and other financial assets		(7,444,217)	(3,101,193)
Accounts payable and accruals		(8,813,275)	(15,082,329)
Cash from operations		43,297,757	50,893,756
Interest paid		(1,155,367)	(762,486)
Taxes paid		(5,367,181)	(6,985,206)
Provisions paid	24	(117,362)	(7,419,236)
Net cash from operating activities		36,657,847	35,726,828
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(15,471,759)	(21,731,053)
Proceeds from sale of investment properties		-	3,769,251
Dividends and interest received		3,673,570	3,361,328
Net cash used in investing activities		(11,798,189)	(14,600,474)
FINANCING ACTIVITIES			
Repayment of loans		(1,216,929)	(1,216,929)
Dividends paid	10	(43,859,733)	(29,582,208)
Notes payable	25	4,280,425	-
Net cash used in financing activities		(40,796,237)	(30,799,137)
DECREASE IN CASH AND CASH EQUIVALENTS		(15,936,579)	(9,672,783)
Cash and cash equivalents at 1 January		45,832,690	55,505,473
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	18	29,896,111	45,832,690

Non-cash transactions in the investing activities include intangible assets acquired in the amount of LL (000) 1,042,466, against a decrease in accounts receivable and prepayments and other financial assets in the operating activities in the same amount during the year ended 31 December 2015 (2014: decrease in the balance of proceeds from sale of investment properties of LL (000) 2,136,430 in the investing activities against an increase in accounts receivable and prepayments and other financial assets in the operating activities in the same amount).

The attached notes 1 to 30 form part of these separate financial statements.

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

1 CORPORATE INFORMATION

Holcim Liban SAL is a joint stock company registered and incorporated in Lebanon in 1929. The Company is engaged in the production and sale of cement and other related products. The Company's registered head office is at Antelias, Lebanon. The factory is located on plots subject to 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 Company is a subsidiary of Holcibel S.A., Belgium. The ultimate parent company being Lafarge Holcim Ltd., holding 52.12% ownership, and registered at Zürcherstrasse 156, Jona, Switzerland.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis, except for the restatement of some land and investment properties, in accordance with decree No. 5451 dated 26 July 1994.

The financial statements are presented in Lebanese Liras and all values are rounded to the nearest thousand (LL 000) except when otherwise indicated.

The separate financial statements have been prepared for statutory purposes. Consolidated financial statements are prepared at the level of the parent company, Holcim Ltd, Switzerland and are available at its offices.

2.2 Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in Lebanese Liras, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the statement of income with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates, and other sales taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all interest bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of income.

Dividends

Revenue is recognized when the company's right to receive payment is established.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis through reducing the historical value of the assets to their residual value over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

Buildings	16.6 years
Plant and equipment	12.5 years
Vehicles	4 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Company does not have finance leases. Operating lease payments are recognized as an operating expense in the statement of income on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties

Investment properties are stated at cost, net of accumulated impairment, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of income in the period of derecognition.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be 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 is reviewed at least at each financial year end. 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 treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of 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 either individually or at the cash generating unit level. The assessment of intangible asset with an indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition 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 income when the asset is derecognised.

Intangible assets include:

(i) Non – competition clause

The contract signed on 11 January 2005 with the shareholders of a company involved in cement manufacturing includes a non-competition clause. The consideration paid on this clause has been capitalized based on a financial model developed by management. The cost of the non-competition clause is amortized over 10 years.

(ii) Extraction rights

Extraction rights refer to contracts signed with the land owners to extract raw materials from the plots over a period of time. Some contracts are amortized over a period of 20 years while others are amortized over a period of 30 years.

Investments in subsidiaries

The Company's investments in subsidiaries are accounted for under the cost method of accounting and carried in the statement of financial position at cost less any impairment in value.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****Impairment of non-financial assets (continued)**

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generation unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Long-term financial assets

Long-term financial assets consist mainly of long-term receivables from third parties. These are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of financial assets

The Company assesses at each reporting date 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 deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event 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 reorganization 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.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, 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 expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: purchase cost on a weighted average basis,
- Finished goods and work in progress: cost of raw materials and additives, direct labor, other direct costs and related production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Accounts receivable

Trade receivables, which generally have 30 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts and are subsequently measured at amortized cost. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. Due to their short-term nature, the carrying amount of trade receivables approximates their fair value.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at hand, checks for collection, and short term deposits with an original maturity of three months or less, net outstanding bank overdrafts.

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.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method, with any difference between proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the term of the borrowing. Gains and losses are also recognized in the statement of income when the liabilities are derecognized.

Accounts payable

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not. Trade and other payables are initially measured at fair value. Due to their short-term nature, the carrying amount of trade and other payables approximates their fair values. Average maturity dates of trade payables range between 30 and 90 days. Short duration payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Provisions

Environmental restoration

The Company provides for the costs of restoring a site where legal or constructive obligation exists. The effect of any adjustments to the provision due to further environmental damage as a result of exploitation activities is recorded through operating costs over the life of the site to reflect the best estimate of the expenditure required to settle the obligation at the date of the statement of financial position.

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Fair value measurement

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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

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

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

Provision for employees' end of service benefits

The Company operates defined benefit pension plans, which requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under "Staff and related costs":

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations that were issued but have no impact on the Company's financial statements:

- Defined Benefits Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

The adoption of the above amendments did not have a significant impact on the Company's financial position or performance.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Income tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the date of the statement of financial position, gross trade accounts receivable were LL (000) 45,246,380 and the provision for doubtful debts was LL (000) 24,568,271 (2014: LL (000) 41,945,028 and LL (000) 23,927,838 respectively). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of income.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the date of the statement of financial position, gross inventories were LL (000) 66,027,701 with provision for old and obsolete inventories of LL (000) 10,864,087 (2014: LL (000) 69,940,081 and LL (000) 9,242,619 respectively). Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the statement of income.

Provision for employees' end of service benefits

The cost of defined end of service benefits as well as the present value of the obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the interest rates of corporate bonds in the respective country with an AAA or AA rating. The mortality rate is based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are given in note 23.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Standards and interpretations issued but not yet effective****IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Other standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. Management does not expect these standards and interpretations to have an impact on the disclosures, financial position or performance of the Company when applied at a future date.

- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendment to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendment to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture
- Annual improvements 2012 - 2014 Cycle

3 SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their geographical location and has two reportable operating segments as follows:

- Local sales
- Export sales

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, financing (including finance costs and interest income) and income taxes are managed on a Company basis and are not allocated to operating segments.

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

3 SEGMENT INFORMATION (continued)

	2015			2014		
	Local sales LL (000)	Export sales LL (000)	Total LL (000)	Local sales LL (000)	Export sales LL (000)	Total LL (000)
Sale of goods	227,332,849	678,375	228,011,224	274,527,303	-	274,527,303
Production cost of goods sold	(143,712,491)	(428,846)	(144,141,337)	(180,748,681)	-	(180,748,681)
GROSS PROFIT	83,620,358	249,529	83,869,887	93,778,622	-	93,778,622
Distribution and selling costs	(23,453,278)	-	(23,453,278)	(25,028,110)	-	(25,028,110)
Administrative expenses	(15,992,469)	-	(15,992,469)	(16,235,612)	-	(16,235,612)
Gain on disposal of investment properties	-	-	-	4,486,830	-	4,486,830
Other operating expenses	(8,610,339)	-	(8,610,339)	(11,601,083)	-	(11,601,083)
Segment profit	35,764,272	249,529	35,913,801	45,400,647	-	45,400,647
Operating assets	383,212,855	-	383,212,855	399,887,455	-	399,887,455
Operating liabilities	51,425,541	-	51,425,541	61,026,093	-	61,026,093

Adjustments

1. Profit for each operating segment does not include interest income, dividend income, finance costs, or provisions for risks and charges as these are managed on a Company basis.
2. Segment assets do not include investments in subsidiaries as these assets are managed on a Company basis.
3. Segment liabilities do not include deferred tax, current tax payable, loans and borrowings or provisions for risks and charges, as these liabilities are managed on a Company basis.

Reconciliation of profit

	2015 LL (000)	2014 LL (000)
Segment profit	35,813,801	45,400,647
Dividend income	2,999,431	2,910,339
Interest income	674,139	450,989
Finance costs	(1,807,507)	(1,486,802)
Provisions for risks and charges	(5,015,239)	5,623,904
Income tax expense	(6,589,394)	(5,198,655)
Company profit	26,075,231	47,700,422

Reconciliation of assets

	2015 LL (000)	2014 LL (000)
Segment assets	383,212,855	399,887,455
Investments in subsidiaries	27,793,533	27,793,533
Company assets	411,006,388	427,680,988

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

3 SEGMENT INFORMATION (continued)

Reconciliation of liabilities

	2015 LL (000)	2014 LL (000)
Segment liabilities	51,425,541	61,026,093
Loans and borrowings	12,060,000	13,276,929
Notes payable	4,280,425	-
Provisions for risks and charges	12,475,622	7,500,744
Deferred tax liability	856,487	2,024,114
Income tax payable	6,762,792	4,372,952
Company liabilities	<u>87,860,867</u>	<u>88,200,832</u>

4 EXPENSES BY NATURE

The total of production cost of goods sold, distribution and selling costs and administrative expenses consists of the following:

	2015 LL (000)	2014 LL (000)
Depreciation and amortization	17,457,868	23,654,495
Staff and related costs	31,298,064	31,659,711
Repairs and maintenance expenses	9,220,088	9,454,983
Variation of work in progress and finished inventories	(7,184,963)	6,407,918
Raw materials and combustibles	107,678,948	126,337,315
Transportation costs	8,409,488	10,287,223
Taxes	3,725,910	3,161,278
Other expenses	12,981,681	11,049,480
	<u>183,587,084</u>	<u>222,012,403</u>

Staff and related costs are as follows:

	2015 LL (000)	2014 LL (000)
Salaries and similar charges	14,158,316	13,112,710
Salaries of secondment personnel	2,887,192	2,112,492
Social security subscriptions	1,972,163	1,943,346
Net movement in provision for employees' end of service benefits (note 23)	10,450	(695,209)
Other charges	12,269,943	15,186,371
	<u>31,298,064</u>	<u>31,659,711</u>

In order to rejuvenate the population of employees and rationalize the organization, the management of Holcim Liban SAL has proposed to their employees aged 55 and above an attractive package for leaving the Company between 8 January and 31 March 2014 on a voluntary basis. Costs incurred in this respect amounted to LL (000) 4,314,683 and were recorded under "Other charges" within "Staff and related costs" during 2014. These were allocated to "Administrative expenses" in the statement of comprehensive income.

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

4 EXPENSES BY NATURE (continued)

Depreciation and amortization, staff and related costs and costs of inventories are allocated as follows:

	2015 LL (000)	2014 LL (000)
Included in production cost of goods sold:		
Depreciation and amortization	16,064,261	22,298,058
Staff and related costs	14,419,784	14,510,332
Costs of inventories recognized as an expense	100,493,985	132,745,233
Included in distribution and selling costs:		
Depreciation and amortization	1,365,634	1,283,815
Staff and related costs	4,719,202	4,159,446
Included in administrative expenses:		
Depreciation and amortization	27,973	72,622
Staff and related costs	12,159,078	13,009,933

5 OTHER OPERATING INCOME / (EXPENSES)

	2015 LL (000)	2014 LL (000)
Technical assistance	(9,956,079)	(11,459,811)
Foreign exchange gain (loss)	1,345,740	(141,272)
	<u>(8,610,339)</u>	<u>(11,601,083)</u>

6 INTEREST INCOME

	2015 LL (000)	2014 LL (000)
Interest income from banks	18,535	187,397
Interest income from notes receivable	539,864	263,592
Other interest income	115,740	-
	<u>674,139</u>	<u>450,989</u>

7 FINANCE COSTS

	2015 LL (000)	2014 LL (000)
Interest on loans from related parties (note 28)	717,357	689,398
Interest on bank overdrafts	491,154	225,849
Bank charges and commissions	598,996	527,593
Other interest expenses	-	43,962
	<u>1,807,507</u>	<u>1,486,802</u>

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

8 TAXES

The major components of income tax expense for the years ended 31 December 2015 and 2014 are as follows:

	2015 LL (000)	2014 LL (000)
<i>Current income tax:</i>		
Current income tax charge	6,762,792	8,224,192
Adjustments in respect of current income tax of previous years	994,229	(877,776)
Tax credit on capitalized waste heat recovery system	-	(2,157,131)
Other taxes	-	9,370
<i>Deferred income tax:</i>		
Relating to origination and reversal of temporary differences	(1,167,627)	-
Income tax expense reported in the statement of comprehensive income	6,589,394	5,196,655

A reconciliation between tax expense and the accounting profit is as follows:

	2015 LL (000)	2014 LL (000)
Accounting profit before income tax	32,664,625	52,899,077
Expenses not deductible for tax purposes:		
Provision for sales discounts	11,226,309	5,627,673
Amortization of non-competition clause	-	5,834,025
Provision for obsolete and slow moving inventories	1,621,468	1,150,670
Provisions for risks and charges	4,950,630	-
Provision for doubtful debts	662,281	-
Tax on interest income (5%)	636	9,370
Other non deductible expenses	2,595,969	1,150,609
Income not subject to tax:		
Gain on disposal of investment properties	-	(4,486,830)
Write back of provision for doubtful debts	-	(75,313)
Write-back of provisions for risks and charges	-	(5,276,016)
Dividend income	(2,999,431)	(2,910,339)
Write back of provision for sales discounts	(5,627,672)	(3,342,066)
Other income not subject to tax	(5,295)	-
Taxable profit	45,089,520	50,580,860
Re-measurement gain on defined benefits plan recognized in other comprehensive income	-	1,318,333
	45,089,520	51,899,193
Tax calculated at applicable tax rate of 15%	6,763,428	7,784,879
Tax on gain on disposal of investment properties	-	448,683
Tax on gain on disposal of property, plant and equipment	-	-
Tax on interest income (5%)	(636)	(9,370)
Other taxes	-	-
	6,762,792	8,224,192

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

8 TAXES (continued)

Deferred income tax

Deferred income tax at 31 December relates to the following:

	<i>Statement of financial position</i>		<i>Statement of comprehensive income</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>LL (000)</i>	<i>LL (000)</i>	<i>LL (000)</i>	<i>LL (000)</i>
<i>Deferred tax liability</i>				
Tax on the revaluation surplus of land (note 21)	(5,623,726)	(5,623,726)	-	-
<i>Deferred tax asset</i>				
Provision relating to:				
Inventories	1,629,613	1,386,393	(243,220)	-
Doubtful debts	1,800,722	1,701,361	(99,361)	-
Contingencies	624,366	-	(524,366)	-
Environmental restoration	512,536	511,858	(678)	-
	<u>4,767,239</u>	<u>3,599,612</u>	<u>(1,167,627)</u>	<u>-</u>
Deferred tax liability net:	<u>(856,487)</u>	<u>(2,024,114)</u>	<u>(1,167,627)</u>	<u>-</u>

9 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	<i>2015</i>	<i>2014</i>
Net profit attributable to ordinary equity holders in (LL (000))	<u>26,075,231</u>	<u>47,700,422</u>
Weighted average number of ordinary shares (in thousands)	<u>19,516</u>	<u>19,516</u>
Net earnings per share (in LL)	<u>1,336</u>	<u>2,444</u>

Since there are no dilution effects, diluted earnings per share is equivalent to basic earnings per share.

10 DIVIDENDS PAID

	<i>2015</i>	<i>2014</i>
	<i>LL (000)</i>	<i>LL (000)</i>
<i>Declared and paid during the year:</i>		
Final dividend related to the year 2014: LL 2,247/ share (2013: LL 1,516/ share)	<u>43,859,733</u>	<u>29,582,208</u>

The General Assembly of Shareholders held on 28 May 2015 (2014: 11 June 2014) decided to distribute dividends of LL 2,247 (2014: LL 1,516) per share totaling LL (000) 43,859,733 (2014: LL (000) 29,582,208).

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

11 PROPERTY, PLANT AND EQUIPMENT

	Land LL (000)	Buildings LL (000)	Plant and equipment LL (000)	Vehicles LL (000)	Other (Nahr El -- Djoz) LL (000)	Fixed assets in progress LL (000)	Total LL (000)
Cost:							
At 1 January 2015	66,873,553	157,861,034	418,898,036	11,849,633	18,938	-	655,501,194
Additions	-	1,313,852	14,157,907	-	-	-	15,471,759
At 31 December 2015	66,873,553	159,174,886	433,055,943	11,849,633	18,938	-	670,972,953
Depreciation:							
At 1 January 2015	-	151,025,972	297,430,913	11,473,574	18,938	-	459,949,397
Charge for the year	-	654,409	15,449,100	197,938	-	-	16,301,447
At 31 December 2015	-	151,680,381	312,880,013	11,671,512	18,938	-	476,250,844
Net carrying amount:							
At 31 December 2015	66,873,553	7,494,505	120,175,930	178,121	-	-	194,722,109

BOLOCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

PROPERTY, PLANT AND EQUIPMENT (continued)

	Land LL (000)	Buildings LL (000)	Plant and equipment LL (000)	Vehicles LL (000)	Other (Nahr El -- Djaz) LL (000)	Fixed assets in progress LL (000)	Total LL (000)
At 1 January 2014	66,873,553	157,439,311	395,388,973	11,811,046	18,938	2,237,420	633,770,141
Transfers	-	-	2,237,420	-	-	(2,237,420)	-
Additions	-	421,723	21,271,643	37,087	-	-	21,731,053
At 31 December 2014	66,873,553	157,861,034	418,898,036	11,849,633	18,938	-	655,501,194
Depreciation:							
At 1 January 2014	-	148,538,771	283,439,773	11,277,754	18,938	-	443,275,236
Charge for the year	-	2,487,201	13,991,140	195,320	-	-	16,674,161
At 31 December 2014	-	151,025,972	297,430,913	11,473,574	18,938	-	459,948,397
Net carrying amount:							
At 31 December 2014	66,873,553	6,835,062	121,467,123	376,059	-	-	195,551,797

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

12 INVESTMENT PROPERTIES

	2015 LL (000)	2014 LL (000)
Balance at 1 January	12,077,167	13,496,018
Disposals made during the year	-	(1,418,851)
Balance at 31 December	12,077,167	12,077,167

During 2014, the Company realized a gain of LL (000) 4,486,830 upon sale of investment properties with a carrying amount of LL (000) 1,418,851.

Investment properties consist of plots of land not used in the Company's operations. Management estimates the fair value of these investment properties at LL (000) 83,629,862 as of 31 December 2015 (2014: LL (000) 36,792,105).

The Company has no restrictions on the realizability of its investments properties and no contractual obligations to either purchase, contract or develop investment properties or for repairs, maintenance and enhancements.

Description of valuation techniques and key inputs to valuation of investment properties:

The fair value of investment properties is based on the presumption that the transaction to sell the property takes place at the most advantageous market for the property.

Location of property	Significant unobservable input	Range	
		31-12-2015	31-12-2014
Hery	Estimated value per sqm	LL (000) 1,009	LL (000) 151 to LL (000) 905
Kefraya	Estimated value per sqm	LL (000) 77	LL (000) 24 to LL (000) 75
Hamat	Estimated value per sqm	LL (000) 71	LL (000) 30 to LL (000) 36

Key inputs for the valuation of investment properties as at 31 December 2014 were estimated internally by the management of the Company. During 2015, the management engaged a real estate valuation expert for the valuation of 15 plots covering locations of Hery, Kefraya and Hamat. Based on the valuations of the expert, management calculated the average fair value per sqm in each of the three locations (as noted in the table above) and allocated this fair value to the total sqm owned in the corresponding area.

13 INTANGIBLE ASSETS

	Extraction rights LL (000)	Non-competition clause LL (000)	Other intangible assets LL (000)	Total LL (000)
Cost:				
At 1 January 2015	52,418,105	58,340,250	570,473	111,328,828
Additions	1,042,466	-	-	1,042,466
	33,520,569	58,340,250	570,473	92,431,292
Amortization:				
At 1 January 2015	10,038,617	58,312,278	555,383	68,906,278
Amortization charge for the year	1,128,449	27,972	-	1,156,421
At 31 December 2015	11,167,066	58,340,250	555,383	70,062,699
Net carrying amount:				
At 31 December 2015	22,353,503	-	15,090	22,368,593

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13 INTANGIBLE ASSETS (continued)

	<i>Extraction rights</i>	<i>Non-competition</i>	<i>Other</i>	<i>Total</i>
	<i>LL (000)</i>	<i>clause</i>	<i>intangible assets</i>	<i>LL (000)</i>
		<i>LL (000)</i>	<i>LL (000)</i>	
Cost:				
At 1 January 2014 and 31 December 2014	32,478,103	58,340,250	570,473	91,388,826
Amortization:				
At 1 January 2014	8,910,168	52,478,253	537,523	61,925,944
Amortization charge for the year	1,128,449	5,834,025	17,860	6,980,334
At 31 December 2014	10,038,617	58,312,278	555,383	68,906,278
Net carrying amounts:				
At 31 December 2014	22,439,486	27,972	15,090	22,482,548

Extraction rights

Extraction rights represent agreements signed with land owners to exploit the land over a period of time to extract raw materials used in the process of cement manufacturing.

Non-competition clause

On 11 January 2005, the Company acquired the assets of one of its competitors for a total consideration of LL 68.59 billion. The fair value of equipment acquired was evaluated at LL 10.25 billion. The remaining balance of the consideration paid and amounting to LL 58.34 billion represents the value of the clause of non-competition included in the contract and extending over a period of 10 years. The non-competition agreement has been valued based on the projection of the economic benefits for the Company resulting out of this agreement. The non-competition clause is amortized over 10 years.

14 INVESTMENTS IN SUBSIDIARIES

	2015	2014
	LL (000)	LL (000)
Boğaz Endüstri ve Madencilik Limited	19,342,709	19,342,709
Société Libanaise des Ciments Blancs SAL	8,421,155	8,421,155
Energis Liban SAL	29,669	29,669
Holcim Béton SAL	-	-
EDP Centre SARL (under liquidation)	-	-
Balance at 31 December	27,793,533	27,793,533

In prior years impairment losses were recorded against the Company's investments in subsidiaries for a total value of LL (000) 7,373,477 (2014: the same).

Details of subsidiaries' are as follows:

			2015			Total
	<i>Country of</i>	<i>Ownership</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Sales</i>	<i>comprehensive</i>
	<i>incorporation</i>	<i>%</i>	<i>LL (000)</i>	<i>LL (000)</i>	<i>LL (000)</i>	<i>income (loss)</i>
						<i>LL (000)</i>
Boğaz Endüstri ve	Turkish Republic					
Madencilik Limited	of North Cyprus	100.00%	11,060,600	6,320,948	40,574,569	1,934,123
Holcim Béton SAL	Lebanon	97.82%	14,783,686	18,518,189	13,288,997	(796,943)
EDP Centre SARL (being liquidated)	Lebanon	91.80%	-	1,600,660	-	-
Société Libanaise des Ciments Blancs SAL	Lebanon	66.99%	37,957,252	11,836,312	19,256,696	4,345,214
Energis Liban SAL	Lebanon	100.00%	-	-	-	-
			63,801,538	38,276,109	73,120,262	5,482,394

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14 INVESTMENTS IN SUBSIDIARIES (continued)

		2014				Total comprehensive income (loss)
	Country of incorporation	Ownership %	Assets LL (000)	Liabilities LL (000)	Sales LL (000)	LL (000)
Boğaz Endüstri ve Madencilik Limited	Turkish Republic of North Cyprus	100.00%	11,169,068	7,222,433	23,367,768	1,870,808
Holcim Béton SAL	Lebanon	97.82%	14,096,384	17,033,944	14,970,117	(1,351,676)
EDP Centre SARL (being liquidated)	Lebanon	91.80%	-	1,600,660	-	-
Société Libanaise des Ciments Blancs SAL	Lebanon	65.99%	33,532,222	6,972,284	21,397,688	5,396,193
Energis Liban SAL	Lebanon	100.00%	-	-	-	-
			<u>58,797,674</u>	<u>32,829,321</u>	<u>59,735,573</u>	<u>5,915,325</u>

15 OTHER FINANCIAL ASSETS

	2015 LL (000)	2014 LL (000)
Long-term trade receivables	1,451,777	2,815,127
Non-current portion of notes receivable	14,071,770	11,188,505
Prepaid rent	1,180,526	1,462,215
Other financial assets	620,270	715,324
	<u>17,324,343</u>	<u>16,181,171</u>

The maturities of the notes receivable as of 31 December are as follows:

	2015 LL (000)	2014 LL (000)
Within one year (note 17)	1,952,612	1,534,082
After one year but not more than five years	7,841,755	3,867,740
More than five years	6,230,015	7,320,765
	<u>16,024,382</u>	<u>12,722,587</u>

16 INVENTORIES

	2015 LL (000)	2014 LL (000)
Raw materials and combustibles	26,327,391	38,471,132
Spare parts	13,584,456	13,483,151
Work in progress	9,526,140	3,381,152
Finished goods	3,673,983	2,634,417
Goods in transit	2,051,644	2,727,610
	<u>55,163,614</u>	<u>60,697,462</u>

16 INVENTORIES (continued)

Inventories are recorded net of a write-down of provision of LL (000) 10,864,087 (2014: LL (000) 9,242,619). The movement in the provision is as follows:

	2015 LL (000)	2014 LL (000)
Balance at 1 January	9,242,619	11,824,042
Provision for the year	1,621,468	1,150,670
Write off of obsolete inventories	-	(3,732,093)
Balance at 31 December	10,864,087	9,242,619

The breakdown of the provision is as follows:

	2015 LL (000)	2014 LL (000)
Spare parts	10,154,669	9,242,619
Raw materials	709,418	-
Balance at 31 December	10,864,087	9,242,619

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2015 LL (000)	2014 LL (000)
Trade receivables	45,246,380	41,945,028
Due from related parties (note 28)	20,717,171	21,371,240
Advances to suppliers	4,378,946	3,492,341
Notes receivable (note 15)	1,952,612	1,534,082
Advances to employees	1,141,259	1,092,078
Prepaid rent	345,003	281,688
Other receivables and prepayments	2,447,818	1,276,001
Provision for doubtful trade receivables	(24,568,271)	(23,927,838)
	51,660,918	47,064,620

For terms and conditions relating to related party receivables, refer to note 28.

Trade receivables are non-interest bearing and are sometimes covered by letters of guarantee. As of 31 December 2015 trade receivables are covered by letters of guarantee up to a limit of LL 24.41 billion (2014: LL 18.85 billion).

As at 31 December 2015, trade receivables at nominal value of LL (000) 24,568,271 (2014: LL (000) 23,927,838) were impaired.

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Movements in the provision for doubtful trade receivables were as follows:

	2015 LL (000)	2014 LL (000)
At 1 January	23,927,838	24,003,151
Provided during the year	662,281	-
Unused amounts written back	-	(75,313)
Write-offs	(21,848)	-
At 31 December	<u>24,568,271</u>	<u>23,927,838</u>

As at 31 December, unimpaired trade receivables are not past due. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

18 CASH AND CASH EQUIVALENTS

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents in the statement of cash flows consist of the following statement of financial position amounts:

	2015 LL (000)	2014 LL (000)
Bank balances and cash	13,589,552	22,885,083
Checks for collection	16,306,559	22,947,607
	<u>29,896,111</u>	<u>45,832,690</u>

19 SHARE CAPITAL

	<i>Authorized, issued and fully paid</i>	
	2015 LL (000)	2014 LL (000)
10,516,040 shares of a nominal value of LL 10,000 each (2014: the same)	<u>195,160,400</u>	<u>195,160,400</u>

The shareholders, during their Extraordinary General Assembly held on 14 December 2010, resolved to decrease the capital of the Company from LL (000) 195,160,400 to LL (000) 97,580,200 through the decrease of the nominal value of each share from LL 10,000 to LL 5,000. The Company is currently under process of fulfilling the legal conditions and requirements to execute the capital decrease.

20 STATUTORY RESERVE

In accordance with the Lebanese Code of Commerce and the Company's articles of association, 10% of the annual net income is required to be transferred to statutory reserve until this reserve equals one third of the capital. The General Assembly of Shareholders held on 28 May 2015 (2014: 11 June 2014) approved the transfer of LL (000) 4,901,874 to statutory reserve (2014: LL (000) 3,285,639). This reserve is not available for distribution.

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21 REVALUATION RESERVE

In previous years, some plots of land were revalued in accordance with decree No. 5451 dated 26 July 1994. Surplus arising from this revaluation was credited to revaluation reserve. The revaluation reserve at 31 December is as follows:

	2015 LL (000)	2014 LL (000)
Revaluation reserve	56,236,749	56,236,749
Deferred taxes (note 8)	(5,623,726)	(5,623,726)
	<u>50,613,023</u>	<u>50,613,023</u>

22 LOANS AND BORROWINGS

Loans and borrowings consist of the following:

	Effective interest rate %	Maturity	2015 LL (000)	2014 LL (000)
US\$ 4,036,249 bank loan	Libor 3 months + 1.50%	30 September 2015	-	1,216,929
US\$ 8,000,000 related party loan	4.50% (revised yearly)	No maturity	12,060,000	12,060,000
			<u>12,060,000</u>	<u>13,276,929</u>

US\$ 4,036,249 bank loan

The loan is repayable in 10 semi - annual installments of US\$ 403,624 each with first installment due on 31 March 2011 and the last installment due on 30 September 2015. The loan is subsidized by the Central Bank of Lebanon up to 5%.

US\$ 8,000,000 related party loan

There is no maturity date to the payment of this loan.

The classification of loans and borrowings is as follows:

	2015 LL (000)	2014 LL (000)
Current		
Current portion of bank loans	-	1,216,929
Non-current		
Related party loan (note 28)	12,060,000	12,060,000
Total loans and borrowings	<u>12,060,000</u>	<u>13,276,929</u>

23 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The Company operating in Lebanon has one defined benefit plan covering substantially all of its employees, which requires contributions to be made to the National Social Security Fund. The entitlement to and level of these end of service benefits provided depends on the employees' length of service, the employees' salaries, contributions paid to the National Social Security Fund and other requirements outlined in the Lebanese Labor Law.

23 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

The movement in the provision for employees' end of service benefits during the year was as follows:

	2015 LL (000)	2014 LL (000)
At 1 January	7,314,716	9,328,258
<i>Costs charged to the expenses :</i>		
Current service cost	122,422	149,242
Interest cost on benefit obligation	416,370	529,173
Past service costs and curtailments	-	68,020
Benefits paid during the year	(528,342)	(1,441,644)
	10,450	(695,209)
<i>Re-measurement gain in other comprehensive income:</i>		
Actuarial changes arising from changes in financial assumptions	(723,839)	-
Experience adjustments	(726,029)	(1,318,333)
	(1,449,867)	(1,318,333)
At 31 December	5,875,299	7,314,716

The principal assumptions used in determining pension benefit obligations for the Company's plan are shown below:

	2015 %	2014 %
Economic assumptions		
Discount rate	5.5	5.5
Expected rate of return on contributions	5.0	5.0
Future salary increase	2.0 to 4.0	3.0 to 5.0
Demographic assumptions		
Mortality rate	None	None
Turnover rate	None	None
Retirement age	Earliest of 64 or completion of 20 contribution years	Earliest of 64 or completion of 20 contribution years

A quantitative sensitivity analysis as a result of an increase / decrease of 100 basis points in the significant assumptions as at 31 December is shown as below:

Impact on net defined benefit obligation	Discount rate		Future salary increase	
	Increase LL (000)	Decrease LL (000)	Increase LL (000)	Decrease LL (000)
2015	(68,515)	70,846	344,926	(238,116)
2014	(119,564)	127,611	457,363	(397,314)

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24 PROVISIONS FOR RISKS AND CHARGES

	<i>Provision for environmental restoration LL (000)</i>	<i>Other provisions LL (000)</i>	<i>Total LL (000)</i>
At 1 January 2015	3,412,044	4,088,700	7,500,744
Provision for the year	77,001	5,015,239	5,092,240
Paid during the year	(117,362)	-	(117,362)
At 31 December 2015	3,371,683	9,103,939	12,475,622

	<i>Provision for environmental restoration LL (000)</i>	<i>Other provisions LL (000)</i>	<i>Total LL (000)</i>
At 1 January 2014	3,186,290	17,009,706	20,195,996
Provision for the year	347,888	-	347,888
Paid during the year	(122,134)	(7,297,102)	(7,419,236)
Written back during the year	-	(5,623,904)	(5,623,904)
At 31 December 2014	3,412,044	4,088,700	7,500,744

The provisions for risks and charges amounting to LL (000) 5,092,240 for the year ended 31 December 2015 (2014: LL (000) 347,888) were allocated as follows:

	2015 LL (000)	2014 LL (000)
Production cost of goods sold	77,001	347,888
Unallocated	5,015,239	-
	5,092,240	347,888

Provision for environmental restoration

A provision is recognized for environmental restoration costs as the Company is committed to execute restoration works on the sites used for extraction of raw materials.

Other provisions

Other provisions were recognized for the following:

- in connection with the losses incurred by a subsidiary; and
- in connection with the restructuring of the employee force that management decided to undertake to be aligned with LafargeHolcim Limited's global strategy. For the purpose of restructuring its aging workforce, during 2015, the management of Holcim Liban SAL identified about 30 employees (age 60 and above) who will be offered an early retirement plan. This would effectively eliminate the duplication of certain managerial / operations services in certain activities. The management of Holcim Liban SAL estimates the cost of the restructuring of the workforce to be around LL (000) 4,950,630.

25 NOTES PAYABLE

The maturities of notes payable as at 31 December are as follows:

	2015 LL (000)	2014 LL (000)
Within one year	450,379	-
From 1 to 5 years	1,801,518	-
More than 5 years	2,028,528	-
	<u>4,280,425</u>	<u>-</u>

During 2015, the Company decided to benefit from Law 269 dated 15 April 2014, which provides the ability for companies to pay their outstanding dues to the National Social Security Fund as at 31 December 2013, in 36 to 120 monthly installments with a 5% down payment and subject to 5% interest rate. In accordance with paragraph 4 of this law, such outstanding dues will be exempt from the penalty on delay payment outlined in Social Security Law. Accordingly, the Company settled an amount of LL (000) 237,100 representing 5% of the total amounts due and signed a settlement schedule for the remaining balance of additional subscriptions amounting to LL (000) 4,503,794 through 120 monthly installments, the last due on 25 April 2025.

The exemption from late payment penalties is not considered final until the entire social security debt is settled. Where three installments are not paid, the full amount becomes immediately due, along with all related penalties. The related penalties were determined at LL (000) 19,433,944 in the settlement schedule signed by the Company.

26 ACCOUNTS PAYABLE AND ACCRUALS

	2015 LL (000)	2014 LL (000)
Trade payables	22,830,624	27,461,895
Due to related parties (note 28)	6,320,937	10,610,011
Interest payable (note 28)	4,672,376	4,020,236
Due to public institutions	2,647,091	3,000,758
Advances from customers	1,184,698	1,409,813
Dividends payable	1,254,245	1,268,323
Value added tax payable	1,904,230	2,404,017
Accrued expenses	4,736,041	3,536,324
	<u>45,550,442</u>	<u>53,711,577</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of 3 months.
- For terms and conditions relating to related parties, refer to note 28.

27 COMMITMENTS AND CONTINGENCIES

Legal claims

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for. The major legal claim outstanding as at 31 December was the following:

The National Social Security Fund (NSSF) performed a review of the books and records of the Company covering the period from 1 January 1982 to 30 September 2007 in order to provide the latter with the clearance needed for the capital decrease of 2006. The review resulted in additional subscriptions amounting to LL (000) 5,417,404; out of which an amount of LL (000) 125,861 was paid. On 18 December 2007, the Company filed an objection to the NSSF stating that, since the claims relate to the period prior to 2002, the rights to these amounts have extinguished due to the 5 years prescription. The above matter is currently under litigation. On 24 August 2010, the Labor Council of Beirut ruled against the Company, and considered all the amounts claimed by the NSSF correct and due for payment by the Company. The Company filed an appeal on 14 September 2010. The Company is contingently liable in this respect in terms of a letter of guarantee issued in favor of the NSSF in the amount of LL (000) 5,291,543 (included under guarantees below) until the final outcome of the lawsuit.

However, during 2015, while maintaining legal action against the NSSF, in order to benefit from Law 269 dated 15 April 2014, the Company signed a settlement schedule for the above mentioned additional subscriptions, as referred to in Note 25.

Guarantees

As of 31 December 2015, the Company is contingently liable for letters of guarantee issued amounting to LL (000) 5,588,804 (2014: LL (000) 5,586,543).

Letters of credit outstanding

The Company has outstanding letters of credit as of 31 December 2015 amounting to LL (000) 211,774 (2014: LL (000) 573,539).

Tax review

Corporate Tax

The Company's books were reviewed by the Department of Income Tax for the years 2006 and 2007. As a result of this review, the Company was charged additional taxes and penalties amounting to LL (000) 3,175,511, which were paid in full and charged to the statement of comprehensive income during December 2011. The Company filed an objection in this respect on 11 February 2013. A reply from the Department of Income Tax was received on 3 July 2013 rejecting most of the Company's objections. On 29 August 2013, the Company re-applied for an objection, the outcome of which cannot be determined presently.

In addition, the Company's books and records for the years 2008 to 2011 (inclusive) were reviewed by the Department of Income Tax during 2013. As a result of this review, the Company was charged additional taxes and penalties amounting to LL(000) 7,765,749 which were provided for during 2013 under provisions for risks and charges (note 24). The Company filed an objection in this respect on 5 February 2014 and received a reply from the Department of Income Tax on 3 March 2014. As a result, during 2014, the Company paid an amount of LL (000) 6,495,739 and wrote back an amount of LL(000) 1,270,010 in the statement of comprehensive income.

The Company's books have not been reviewed by the Department of Income Tax for the years 2012, 2013, 2014 and 2015. The ultimate outcome of any potential review by the Department of Income Tax that may take place cannot presently be determined.

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27 COMMITMENTS AND CONTINGENCIES (continued)

Tax review

Value added tax

The Company's books and records have been reviewed by the Department of Value Added Tax for the years from 2008 to 2011 (inclusive) during 2013. As a result of this review, the Company was charged additional taxes and penalties amounting to LL (000) 1,080,306 which were provided for during 2013 under provisions for risks and charges (note 24). The Company filed an objection in this respect on 3 February 2014 and received a reply from the Department of Value Added Tax on 27 February 2014. As a result, during 2014, the Company paid an amount of LL(000) 801,363 and wrote back an amount of LL (000) 278,943 in the statement of comprehensive income.

The Company's books and records have not been reviewed by the Department of Value Added Tax for the years from 2012, 2013, 2014 and 2015. The ultimate outcome of such inspection that may take place cannot presently be determined.

National Social Security Fund

The Company's books and records are under review by the National Social Security Fund for the years 2012 to 2015 (inclusive). The ultimate outcome of such review cannot presently be determined.

28 RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors, and key management personnel of the Company. Pricing policies and terms of these transactions are approved by the Company's management.

The following table lists the transactions, which have been entered into with related parties for the relevant financial year:

	2015				
	Sales LL(000)	Purchases LL(000)	Services rendered income LL(000)	Services rendered fees LL(000)	Interest expense LL(000)
<i>Subsidiaries:</i>					
Holcim Béton SAL	2,303,115	-	591,477	78,972	-
Société Libanaise des Ciments Blancs SAL	5,044,843	361,476	1,362,677	-	717,357
Boğaz Endüstri ve Madencilik Limited	678,375	-	-	-	-
<i>Entities associated to the Company:</i>					
LafargeHolcim Energy Solutions S.A.S.	-	1,758,896	-	-	-
Lafarge North America	-	-	-	165,825	-
Holcim Trading SA	-	21,455,749	-	-	-
Holcim France SA	-	-	-	269,286	-
Holcim Haut Rhin	-	-	-	357,477	-
Holcim Technology Ltd	-	-	-	9,956,079	-
Holcim Group Services Ltd	-	-	-	1,060,129	-
Holcim Services EMEA S.L., Espagne	-	-	151,583	1,646,866	-
Holcim Maroc	-	-	-	176,206	-
	<u>8,026,333</u>	<u>23,576,121</u>	<u>2,105,737</u>	<u>13,710,840</u>	<u>717,357</u>
	2014				
	Sales LL(000)	Purchases LL(000)	Services rendered income LL(000)	Services rendered fees LL(000)	Interest expense LL(000)
<i>Subsidiaries:</i>					
Holcim Béton SAL	6,338,660	-	695,426	161,943	-
Société Libanaise des Ciments Blancs SAL	5,715,968	-	1,401,195	-	689,398
Boğaz Endüstri ve Madencilik Limited	-	-	-	-	-
<i>Entities associated to the Company:</i>					
Holcim Trading SA	-	33,937,398	-	-	-
Holcim France SA	-	-	-	1,309,845	-
Holcim Technology Ltd	-	-	-	11,477,389	-
Holcim Group Services Ltd	-	-	-	612,445	-
Holcim Services EMEA S.L., Espagne	-	-	158,561	2,654,128	-
	<u>12,054,628</u>	<u>33,937,398</u>	<u>2,254,982</u>	<u>16,053,750</u>	<u>689,398</u>

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28 RELATED PARTY DISCLOSURES (continued)

Sales include raw materials sales, combustibles, clinker and cement at the current market prices. Purchases include mainly purchases of combustibles.

Services rendered income includes the technical assistance and personnel charges. Services rendered fees include the technical assistance and other charges.

Balances due to/ from related parties as at 31 December are as follows:

	2015		2014	
	Receivables LL(000)	Payables LL(000)	Receivables LL(000)	Payables LL(000)
<i>Subsidiaries:</i>				
Holcim Béton SAL	14,055,212	872,399	14,242,058	735,423
Société Libanaise des Ciments Blancs SAL	3,362,292	-	1,008,089	-
Boğaz Endüstri ve Madencilik Limited	2,887,677	-	5,441,698	-
<i>Entities associated to the Company:</i>				
LafargeHolcim Energy Solutions S.A.S.	-	1,753,896	-	-
Lafarge North America	-	165,825	-	-
Holcim Trading SA	180,650	-	-	6,699,539
Holcim France SA	-	-	-	139,436
Holcim Haut Rhin	-	201,908	-	-
Holcim Group Services Ltd	-	131,080	-	234,512
Holcim Technology Ltd	-	2,636,054	-	2,359,645
Holcim Services EMEA, Espagne	51,278	342,512	33,430	317,173
<i>Other related parties:</i>				
Energis Liban SAL	90,797	-	87,232	-
Others	89,265	212,263	558,733	124,283
	<u>20,717,171</u>	<u>6,320,937</u>	<u>21,371,240</u>	<u>10,610,011</u>

Loan and accrued interest payable due to a related party as at 31 December are as follows:

	2015 LL (000)	2014 LL (000)
<i>Subsidiary Société Libanaise des Ciments Blancs SAL</i>		
Loan (note 22)	12,060,000	12,060,000
Accrued interest payable (note 26)	4,672,376	4,020,236
	<u>16,732,376</u>	<u>16,080,236</u>

Dividend income received from subsidiaries during the year was as follows.

	2015 LL (000)	2014 LL (000)
Société Libanaise des Ciments Blancs SAL	2,999,431	2,910,339

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured and interest free, except for loans. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the Company did not record any new impairment of receivables relating to amounts owed by related parties (2014: same). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel

The remuneration of directors and key management during the year was as follows:

	2015 LL (000)	2014 LL (000)
Directors' remunerations	163,815	180,063
Key management personnel remuneration	1,417,517	1,383,690
	<u>1,581,332</u>	<u>1,563,753</u>

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings, trade payables and other payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, long-term financial assets, other receivables and bank balances and cash, which arise directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's senior management reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk, and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits, and long-term financial assets.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowings with floating interest rates. 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.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2015, none of the Company's loans and borrowings were at a fixed rate of interest (2014: same).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

	increase basis points	Effect on profit before Tax LL (000)
2015 USD	+25	(30,150)
2014 USD	+25	(33,192)

Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Swiss Franc. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

HOLCIM LIBAN SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

As the US Dollar has remained stable in recent years against the Lebanese Lira, the US Dollar is not considered to constitute a significant foreign currency risk.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currencies exchange rates, with all other variables held constant, on the Company's profit before tax. There is no effect on the Company's equity.

	<i>Increase in EUR rate</i>	<i>Effect on profit before tax LL (000)</i>
2015	+5%	(239,477)
2014	+5%	(399,559)

	<i>Increase in CHF rate</i>	<i>Effect on profit before tax LL (000)</i>
2015	+5%	(6,697)
2014	+5%	(12,446)

A decrease in the Euro and Swiss Franc rates by 5% would have the opposite effect.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial assets.

Trade receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 31 December 2015, the Company's top 15 customers accounted for approximately 74% (2014: 65%) of all receivables owing.

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company evaluates the concentration of risk with respect to trade receivables as high, as its customers are located in Lebanon mainly and operate in similar markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis.

The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2015 and 2014 is the carrying amounts.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and loans from related parties. 0% of the Company's debt will mature in less than one year at 31 December 2014 (2014: 9%) based on the carrying value of borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and most debt maturing can be rolled over with existing lenders.

The Company limits its liquidity risk through the use of bank loans and overdrafts.

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

Year ended 31 December 2015

	<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>> 5 years LL(000)</i>	<i>Total LL(000)</i>
Loans and borrowings	-	-	20,259,384	-	20,259,384
Notes payables	117,521	361,015	2,139,449	3,157,701	5,775,686
Accounts payable	33,052,897	-	-	-	33,052,897
Total	<u>33,170,418</u>	<u>361,015</u>	<u>22,398,833</u>	<u>3,157,701</u>	<u>59,087,967</u>

Year ended 31 December 2014

	<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>> 5 years LL(000)</i>	<i>Total LL(000)</i>
Loans and borrowings	-	1,216,929	19,396,736	-	20,613,665
Accounts payable	42,340,987	-	-	-	42,340,987
Total	<u>42,340,987</u>	<u>1,216,929</u>	<u>19,396,736</u>	<u>-</u>	<u>62,954,652</u>

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The shareholders, during their Extraordinary General Assembly held on 14 December 2010, resolved to decrease the capital of the Company. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. Capital comprises share capital, statutory reserve, revaluation reserve and retained earnings and is measured at LL (000) 323,145,521 (2014: LL (000) 339,480,156).

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by total equity. The Company's policy is to keep the gearing ratio less than 30% (2014: the same). The Company includes within net debt, interest bearing loans and borrowings, trade and other payables less bank balances and cash.

	2015 LL (000)	2014 LL (000)
Loans and borrowings	12,060,000	13,276,929
Accounts payable	45,550,242	53,711,377
Notes payable	4,280,425	-
Less: bank balances and cash	(29,896,111)	(45,832,690)
Net debt	31,994,556	21,155,616
Equity	323,145,520	339,480,156
Gearing ratio	9.90%	6.23%

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments.

	Carrying amount		Fair value	
	2015 LL(000)	2014 LL(000)	2015 LL(000)	2014 LL(000)
Financial assets				
Other financial assets	17,324,343	16,181,171	17,324,343	16,181,171
Accounts receivable and prepayments	51,660,918	47,064,620	51,660,918	47,064,620
Bank balances and cash	29,896,111	45,832,690	29,896,111	45,832,690
Financial liabilities				
Accounts payable and accruals	45,550,242	53,711,377	45,550,242	53,711,377
Loans and borrowings	12,060,000	13,276,929	12,060,000	13,276,929
Notes payable	4,280,425	-	4,280,425	-
Income tax payable	6,762,792	4,372,952	6,762,792	4,372,952

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is applied to other financial assets, accounts receivable and prepayments, bank balances and cash, accounts payable and accruals, loans and borrowings (floating interest rates) and income tax payable.

As for the provisions for risks and charges and deferred tax liability, fair value disclosures was not included as fair value of these financial instruments cannot be reliably measured.