# SOCIETE LIBANAISE DES CIMENTS BLANCS SAL

## FINANCIAL STATEMENTS

## 31 DECEMBER 2024

EY
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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

## Adverse Opinion

We have audited the financial statements of Société Libanaise des Ciments Blancs SAL (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion" section of our report, the accompanying financial statements do not present fairly the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

## Basis for Adverse Opinion

1. As disclosed in note 2.1 to the financial statements, the Company did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the accompanying financial statements for the year ended 31 December 2024 nor did the Company consider its effects on forecasts and discount rates used in accounting estimates. Had the Company applied IAS 29 and considered its effects on accounting estimates, many elements and disclosures in the accompanying financial statements, including the comparative financial information for the year ended 31 December 2023, would have been materially different. The effects on the financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2023 was modified for same reasons.

2. The Company translated assets and liabilities denominated in foreign currencies as at 31 December 2024, and transactions in foreign currencies that occurred during the year then ended, using the exchange rates disclosed in note 2.2 to the financial statements. Accordingly, the Company did not use an appropriate exchange rate for the translation of foreign currency transactions and did not re-translate all monetary assets and liabilities stated in foreign currencies at the appropriate exchange rate at the reporting date, which constitutes a departure from IAS 21. Had the Company applied the requirements of IAS 21, many of the elements of the accompanying financial statements, including disclosures would have been materially impacted. The effects on the financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2023 was modified for same reasons.

3. The Company has foreign currencies bank balances in Lebanon amounting to LL (000) 78,407,507 as at 31 December 2024 (2023: LL (000) 64,991,790). It is not possible to determine the future effects that the restructuring plan and the economic crisis could have on the expected credit losses and thus the carrying amount of these assets. The accompanying financial statements do not include adjustments that could result from the resolution of these uncertainties. Our opinion for the year ended 31 December 2023 was modified for same reasons.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS**
**SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL (continued)**

**Basis for Adverse Opinion (continued)**

4. As disclosed in note 2 to the financial statements, law 330 was enacted on 4 December 2024 and its application decisions were issued by the Ministry of Finance in Lebanon on 12 March 2025. Because of the late issuance of the application decisions management was unable to finalize its assessment and is still assessing the tax impacts of the full application of the law 330 at the date of our audit report. Consequently, we were unable to determine whether any adjustments to the financial statements as at 31 December 2024 and for the year then ended were necessary.

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

**Emphasis of a Matter**

We draw attention to note 2.2 to the financial statements which describes the operating environment in Lebanon and related uncertainties.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2024. Except for the matters described in the "Basis for Adverse Opinion" section of our report, we have determined that there are no other key audit matters to communicate in our report.

**Responsibilities of the Board of Directors and those Charged with Governance for the Financial Statement**

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS**
**SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL (continued)**

**Auditor 's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS**
**SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL (continued)**

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Sabine Doumit.

Ernst & Young
Ernst & Young

13 June 2025
Beirut, Lebanon

# SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

| | Notes | 2024<br>LL (000) | 2023<br>LL (000) |
|---|---|---|---|
| Sales | 3 | **487,309,745** | 511,171,997 |
| Cost of sales | 4 | **(378,572,422)** | (285,643,129) |
| **GROSS PROFIT** | | 108,737,323 | 225,528,868 |
| Distribution expenses | 4 | **(24,251,841)** | (27,096,834) |
| General and administrative expenses | 4 | **(26,316,247)** | (26,803,311) |
| Provision for slow moving and obsolete inventory | 8 | **(1,365,156)** | (376,814) |
| Interest income on loan to a shareholder | 7 | **3,395,260** | 3,127,309 |
| Finance charges, net | | **(2,240,803)** | (2,249,321) |
| Net gain on exchange | | **4,451,391** | 110,051,966 |
| **PROFIT BEFORE INCOME TAX** | | 62,409,927 | 282,181,863 |
| Income tax expense | 5 | **(10,653,650)** | (47,578,116) |
| **PROFIT FOR THE YEAR** | | 51,756,277 | 234,603,747 |
| **Other comprehensive income for the year:** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Remeasurement of defined benefit obligations | 14 | **(34,511,885)** | (11,574,161) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 17,244,392 | 223,029,586 |
| Profit for the year | | **51,756,277** | 234,603,747 |
| Number of ordinary shares in issue | | **9,000,000** | 9,000,000 |
| Earnings per share from profit attributable to the equity holders of the Company during the year in LL | | **5,751** | 26,067 |

The attached notes 1 to 20 form part of these financial statements.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

| | Notes | 2024 LL (000) | 2023 LL (000) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asset** | | | |
| Property and equipment | 6 | **68,711,769** | 72,578,656 |
| **Total non-current assets** | | 68,711,769 | 72,578,656 |
| **Current assets** | | | |
| Loan to the parent company | 7 | - | 120,000,000 |
| Inventories | 8 | **295,858,687** | 241,292,516 |
| Other assets | 9 | **12,063,971** | 14,421,568 |
| Accounts receivable | 10 | **729,691** | 525,309 |
| Bank balances | 11 | **174,748,747** | 76,822,940 |
| **Total current assets** | | 483,401,096 | 453,062,333 |
| **TOTAL ASSETS** | | 552,112,865 | 525,640,989 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Capital | 12 | **13,500,000** | 13,500,000 |
| Share premium | | **2,656** | 2,656 |
| Legal reserve | 13 | **4,500,000** | 4,500,000 |
| Other reserve | 13 | **4,010,692** | 4,010,692 |
| Re-measurement of defined benefit obligations | 14 | **(47,019,379)** | (12,507,494) |
| Retained earnings | | **339,731,777** | 287,975,500 |
| **Total equity** | | 314,725,746 | 297,481,354 |
| **Non-current liabilities** | | | |
| Provision for risk and charges | | **45,225** | 45,225 |
| Employees' end of service benefits | 14 | **38,691,330** | 12,978,028 |
| Deferred tax liability | 5 (b) | **445,632** | 445,632 |
| **Total non-current liabilities** | | 39,182,187 | 13,468,885 |
| **Current liabilities** | | | |
| Accounts payable | 15 | **149,137,652** | 97,416,800 |
| Accrued expenses and other liabilities | 16 | **38,413,630** | 69,673,373 |
| Current income tax liability | 5 (a) | **10,653,650** | 47,600,577 |
| **Total current liabilities** | | 198,204,932 | 214,690,750 |
| **Total liabilities** | | 237,387,119 | 228,159,635 |
| **TOTAL EQUITY AND LIABILITIES** | | 552,112,865 | 525,640,989 |

The accompanying financial statements were approved for issue by the Board of Directors on 12 June 2025 and were signed on its behalf by

Jamil Bou Haroun
Chief Executive Officer

Mario Dib
Chief Financial Officer

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

| | *Capital LL (000)* | *Share premium LL (000)* | *Legal reserve LL (000)* | *Other reserve LL (000)* | *Re-measurement of defined benefit obligations LL (000)* | *Retained earnings LL (000)* | *Total LL (000)* |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2023 | 13,500,000 | 2,656 | 4,500,000 | 4,010,692 | (933,333) | 53,371,753 | 74,451,768 |
| Total comprehensive income for the year | - | - | - | - | (11,574,161) | 234,603,747 | 223,029,586 |
| Balance at 31 December 2023 | 13,500,000 | 2,656 | 4,500,000 | 4,010,692 | (12,507,494) | 287,975,500 | 297,481,354 |
| Total comprehensive income for the year | - | - | - | - | (34,511,885) | 51,756,277 | 17,244,392 |
| **Balance at 31 December 2024** | **13,500,000** | **2,656** | **4,500,000** | **4,010,692** | **(47,019,379)** | **339,731,777** | **314,725,746** |

The attached notes 1 to 20 form part of these financial statements.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

| | Notes | 2024 LL (000) | 2023 LL (000) |
|---|---|---|---|
| **OPERATING ACTIVITES** | | **62,409,927** | 282,181,863 |
| Profit for the year before income tax | | | |
| Adjustments for: | | | |
| Depreciation | 6 | **6,035,886** | 2,663,304 |
| Provision for retirement benefit obligations | 14 | **466,290** | 53,142 |
| Provision for slow moving and obsolete inventory | 8 | **1,365,156** | 376,814 |
| Net foreign exchange difference | | - | (107,940,000) |
| | | **70,277,259** | 177,335,123 |
| Working capital changes: | | | |
| Increase in inventories | | **(55,931,327)** | (128,034,216) |
| Increase in accounts receivable | | **(204,382)** | (157,910) |
| Decrease (Increase) in other assets | | **2,357,597** | (4,720,898) |
| (Decrease) Increase in accounts payable | | **(17,165,768)** | 27,949,891 |
| (Decrease) Increase in accrued expenses and other liabilities | | **(31,300,193)** | 65,845,927 |
| Net change in related parties balances | | **68,886,620** | (26,512,488) |
| Increase in deferred income | | **40,450** | 173,250 |
| Cash from operations | | **36,960,256** | 111,878,679 |
| Income tax paid | 5 | **(47,600,578)** | (6,624,966) |
| End of service benefits paid | 14 | **(9,264,872)** | (325,358) |
| Net cash from operating activities | | **100,094,806** | 104,928,355 |
| **INVESTING ACTIVITY** | | | |
| Loan to parent company | | (120,000,000) | - |
| Purchase of property and equipment | 6 | **(2,168,999)** | (42,898,601) |
| Net cash used in investing activity | | **(2,168,999)** | (42,898,601) |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | | **97,925,807** | 62,029,754 |
| Cash and cash equivalents at 1 January | | **76,822,940** | 14,793,186 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 11 | **174,748,747** | 76,822,940 |

The attached notes 1 to 20 form part of these financial statements.

## 1 CORPORATE INFORMATION

Société Libanaise des Ciments Blancs S.A.L. ("the Company") is a joint stock company registered at the Beirut Commercial Court on June 28, 1961 under commercial register number 3. The Company's head office is in Chekka, Lebanon and the plant is located on plots that are situated within the municipalities of Chekka, in the North of Lebanon.

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

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

The parent company is Holcim (Liban) S.A.L. The ultimate parent company Holcim Ltd. and the address of its registered office is Grafenauweg 10-6300 Zug-Switzerland.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis

The financial statements are presented in Lebanese Lira, which is the Company's functional currency, and all values are rounded to the nearest thousand LL (000), except when otherwise indicated. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

***Non-application of International Accounting Standard 29, 'Financial Reporting in Hyperinflationary Economies'***
From periods ending on or after 31 December 2020, the Lebanese economy have been considered hyperinflationary based on the criteria established by International Accounting Standard 29, 'Financial Reporting in Hyperinflationary Economies' ('IAS 29'). This designation is determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years. The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative increase of consumer of 666% and 18% respectively, as of December 2024 (2023: 2,005% and 192%, respectively)

IFRS requires that financial statements (including prior year comparatives) of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Such restatement shall be made as if the Lebanese economy has always been hyperinflationary; using a general price index that reflects the changes in the currency's purchasing power.

As of the date of the accompanying financial statements, Management is temporarily unable to apply the requirements of IAS 29, nor is it able to quantify its effect on the presented financial statements due to the following considerations: the lack of consensus on the general price index and the lack of views of relevant regulators, including tax authorities. However, management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Company in the accompanying financial statements including its statement of financial position, income statement, statement of comprehensive income and cash flow statement.

The Company is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Company to develop new accounting software and processes, internal controls and governance framework. Accordingly, the Company has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Company is comfortable that such application would provide the users with more relevant information.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Operating environment of the Company

Lebanon has been witnessing, since the last quarter of 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis as well as deep recession that have reached unprecedent levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on 7 March 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020, for the discontinuation of payments on all of its USD denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed de-facto capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption.

Lebanon's government foresees cancelling "a large part" of the central bank's foreign currency obligations to commercial banks and dissolving non-viable banks. It includes several measures that are prerequisites to unlock funds from a preliminary deal with the International Monetary Fund that could help pull the country out of a three-year financial meltdown.

***Foreign currencies and exchange rates***

Since the last quarter of 2019, several exchange rates have emerged that differ significantly from one another and from the officially published exchange rate. New terminology has emerged in the Lebanese market, including "local Dollars," which refers to local US Dollar bank accounts that are subject to de facto capital controls, and "fresh funds/accounts," which refers to foreign currency cash and foreign currency bank accounts that are exempt from capital controls (as they originate from foreign currency cash and/or incoming transfers from abroad.

In February 2023, the official exchange rate was changed from LBP 1,507.5 to LBP 15,000 per US Dollar, and then further changed to LBP 89,500 per US Dollar in January 2024. Parallel market rates and Sayrafa rates have remained highly volatile and inconsistent with the official published exchange rates from the last quarter of 2019 until the latest change in January 2024, leading to a convergence of these rates. During 2024, there are no observable rates for restricted foreign currencies. Accordingly, management used its judgment to determine the rates for these restricted currencies at which future cash flows could be settled.

As per IAS 21, when several exchange rates are available, the rate to be used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

a) Assets and liabilities in foreign currency and transactions in foreign currency were reflected in these financial statements at the exchange rates communicated by the Holcim Group Management:

| | ***Rate as at 31 December 2024*** | ***Average rate for the year ended 31 December 2024*** | *Rate as at 31 December 2023* | *Average rate for the year ended 31 December 2023* |
|---|---|---|---|---|
| | ***LL*** | ***LL*** | *LL* | *LL* |
| US Dollar | **89,702** | **89,702** | 89,702 | 84,232 |
| Euro | **93,452** | **97,057** | 99,085 | 91,106 |

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Operating environment of the Company (continued)

***Foreign currencies and exchange rates (continued)***

b) Balances and transactions in US dollars and other foreign currencies subject to de-facto capital controls, are translated at the exchange rate of 1 US$ / LL 15,000 unless a different rate is specified in the terms of the agreement stipulating the transaction.

***Taxes, social security contributions and related provisions***

Due to the availability of several exchange rates in the Lebanese market and the enactment of new tax law, the determination of taxes, social security contributions and related provisions in relation to transactions or activities in foreign currencies are highly sensitive to the exchange rates applied. As a result of the unprecedented events and circumstances, there is high level of judgment involved in deciding on the exchange rates used and any change in these exchange rates, would result in a different determination of taxes, social security contributions and related provisions.

*Law 330 dated 4 December 2024*

Law 330 enacted on 4 December 2024 (amending Article 45 of Income Tax Law 144 and its subsequent amendments), authorized taxpayers to conduct a nontaxable exceptional revaluation of fixed assets and inventory, and an exceptional adjustment concerning the negative and positive foreign exchange differences resulting from receivables, payables, and financial accounts balances that are denominated in foreign currency. These accounts are classified under classes 4 and 5 of the Lebanese Chart of Accounts. On 12 March 2025, the Ministry of Finance issued the decisions 338, 339 and 340 related to the mechanism of application of Law 330. Due to the late issuance of the decisions, the Company was unable to quantify or record the impact of the Law on the corresponding taxes in the Company's separate financial statements for the year ended 31 December 2024. The Company is currently working to identify all impacts the Law will have on the separate financial statements.

### 2.3 Change in accounting policies

**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- *Amendments to IFRS 16: Lease Liability in a Sale and Lease back*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-Current*
- *Supplier Finance Arrangement - Amendments to IAS 7 and IFRS 7*

These amendments had no significant impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

### 2.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- *Lack of exchangeability – Amendments to IAS 21*
- *IFRS 18 Presentation and Disclosure in Financial Statements*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures*

The Company does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its financial statements.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Material accounting policies

**Revenue recognition**
Revenue from sale of goods is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements. Revenue is recognized at the point in time when the control of the asset is transferred to the customer, generally on delivery of the goods.

Contract liabilities, reflecting the Company's obligation to transfer to a customer goods or services for which the Company has already received consideration, relate mainly to advance payments from customers, which are disclosed in note 16. As of 31 December 2024, contract liabilities amounted to LL (000) 1,220,963 (2023: LL (000) 1,987,109).

A trade receivable is recognized when the products are delivered to a customer, as this is the point in time when the consideration becomes unconditional because only the passage of time is required before the payment is due.

Interest income is recorded using the effective interest rate by reference to the net carrying amount of the financial assets.

**Accounts receivable**
Accounts receivables are stated at original invoice amount less a provision for credit losses.

**Cash and cash equivalents**
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances with a maturity of three months or less.

**Inventories**
Inventories are stated at the lower of cost and net realizable value. Cost is determined on the basis of the weighted average cost method. The cost of finished and work in progress includes cost of materials, direct labor and manufacturing overheads. Net realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling, and distribution.

**Pensions and other post-employment benefits**
The Company provides retirement benefits obligation to its employees under defined benefit plans which requires contributions to be made to separately administered funds. The cost of providing these benefits is determined using the projected unit credit method which involves making actuarial assumptions about discount rates and future salary increases. Those assumptions are unbiased and mutually compatible. 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 the income statement 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 "personnel expenses" in the statement of income:
- Service costs comprising and current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Material accounting policies (continued)

**Taxes**
Taxation is provided in accordance with Lebanese fiscal regulations.

*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 exits 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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Material accounting policies (continued)

**Impairment of financial assets**
The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss.

The Company always recognises lifetime ECL for trade and other receivables and contract assets. For all other financial instruments, such as bank balances, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Measurement and recognition of expected credit losses*
For trade receivables and other contract assets, the Company has chosen the simplified method approach. Short credit terms and settlement processes significantly limit the credit risk. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

| | ***Rate*** |
|---|---|
| Buildings | 6% |
| Industrial machinery and equipment | 8% |
| Vehicles | 25% |
| Furniture, fixtures and office equipment | 8% |

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Material accounting policies (continued)

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

Any item of property and equipment and any significant part initially recognised is derecognised 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 income statement when the asset is derecognised.

**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 a CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

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

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

**Foreign currencies**
Transactions denominated in foreign currencies are translated into Lebanese Lira at the exchange rates as disclosed in note 2.2, prevailing at the dates of the transactions. Monetary assets and liabilities stated in foreign currencies are re-translated at the rates of exchange as disclosed in note 2.2, prevailing at the end of the year. The resulting exchange gain or loss is reflected in the statement of profit or loss and other comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Material accounting policies (continued)

**Fair values**
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.

### 2.6 Material 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:

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

*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:

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:

*Expected credit losses*
An impairment analysis is performed at each reporting date to measure expected credit losses. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about post events, current conditions and forecasts of future economic conditions.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Material accounting judgments, estimates and assumptions (continued)

**Estimates and assumptions (continued)**

*Expected credit losses (continued)*
The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors and changes which can result in different levels of allowances. For trade receivables, the assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of actual defaults in the future. It is the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the income statement.

*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. 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. Further details about the assumptions used are given in note 14.

## 3 SALES

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| White cement | **487,309,745** | 511,171,997 |
| | **487,309,745** | 511,171,997 |

## 4 EXPENSES BY NATURE

| | 2024 | | | |
|---|---|---|---|---|
| | *Cost of sales LL (000)* | *Distributions expenses LL (000)* | *General and administrative expenses LL (000)* | *Total LL (000)* |
| Combustibles | **45,688,475** | - | - | **45,688,475** |
| Raw materials | **168,248,139** | - | - | **168,248,139** |
| Salaries and related charges | **61,113,615** | **1,815,846** | **3,789,649** | **66,719,110** |
| Spare parts, consumables and maintenance expense | **3,108,457** | **4,565,655** | - | **7,674,112** |
| Energy consumption | **29,624,034** | **913,376** | - | **30,537,410** |
| Technical assistance (note 7) | - | - | **19,492,390** | **19,492,390** |
| Depreciation charge (note 6) | **6,035,886** | - | - | **6,035,886** |
| Packing materials | - | **14,038,630** | - | **14,038,630** |
| Contractual employees | **4,234,971** | **914,239** | - | **5,149,210** |
| Other third party services | **837,489** | **1,918,411** | **142,235** | **2,898,135** |
| Other taxes | **10,534,447** | - | **497,211** | **11,031,658** |
| Changes in inventories of finished goods and work in progress | **38,071,818** | - | - | **38,071,818** |
| Other expenses - net | **11,075,091** | **85,684** | **2,394,762** | **13,555,537** |
| | **378,572,422** | **24,251,841** | **26,316,247** | **429,140,510** |

| | 2023 | | | |
|---|---|---|---|---|
| | *Cost of sales LL (000)* | *Distributions expenses LL (000)* | *General and administrative expenses LL (000)* | *Total LL (000)* |
| Combustibles | 109,466,636 | - | - | 109,466,636 |
| Raw materials | 119,303,015 | - | - | 119,303,015 |
| Salaries and related charges | 53,872,807 | 8,028,494 | 4,095,772 | 65,997,073 |
| Spare parts, consumables and maintenance expense | 10,499,005 | 4,635,360 | - | 15,134,365 |
| Energy consumption | 79,147,427 | 1,460,911 | - | 80,608,338 |
| Technical assistance (note 7) | - | - | 20,446,880 | 20,446,880 |
| Depreciation charge (note 6) | 2,657,205 | 6,099 | - | 2,663,304 |
| Packing materials | - | 11,232,724 | - | 11,232,724 |
| Contractual employees | 4,656,869 | 781,558 | 97,201 | 5,535,628 |
| Other third party services | 4,742,225 | 951,688 | - | 5,693,913 |
| Other taxes | 2,993,387 | - | - | 2,993,387 |
| Changes in inventories of finished goods and work in progress | (121,702,497) | - | - | (121,702,497) |
| Other expenses - net | 20,007,050 | - | 2,163,458 | 22,170,508 |
| | 285,643,129 | 27,096,834 | 26,803,311 | 339,543,274 |

## 4 EXPENSES BY NATURE (continued)

Salaries and related charges consist of the following:

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Salaries | **38,908,282** | 33,975,457 |
| Costs recharged from a related party (note 7) | **17,861,246** | 24,126,735 |
| Transportation | **1,595,200** | 859,200 |
| National social security contributions | **3,556,757** | 765,881 |
| Other benefits | **4,797,625** | 6,269,800 |
| | **66,719,110** | 65,997,073 |

## 5 INCOME TAX EXPENSE

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

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Accounting profit before tax | **62,409,927** | 282,181,863 |
| Income tax expense at statutory rate of 17% | **10,609,688** | 47,970,917 |
| Effect of expense not deductible for tax purpose: | | |
| Provision for obsolete inventory | **232,077** | 64,058 |
| Other expenses | **388,972** | 74,111 |
| Tax effect of revenue not taxable for tax purposes: | | |
| Interest income from loan to a related party | **(577,194)** | (531,643) |
| Total current income tax | **10,653,543** | 47,577,443 |
| Income tax expense reported in the statement of comprehensive income | **10,653,650** | 47,578,116 |
| Surplus in income tax recognized | **107** | 673 |

Movement in the current income tax liability is as follows:

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Balance at 1 January | **47,600,577** | 6,647,427 |
| Provision for the year | **10,653,650** | 47,578,116 |
| Payments during the year | **(47,600,577)** | (6,624,966) |
| Balance at 31 December | **10,653,650** | 47,600,577 |

(b) The deferred tax liability of LL (000) 445,632 relates mainly to the capital gains tax applicable to the revaluation surplus (note 13).

## 6 PROPERTY AND EQUIPMENT

| | *Land* *LL (000)* | *Buildings* *LL (000)* | *Installations and equipment* *LL (000)* | *Vehicles* *LL (000)* | *Furniture and fixtures* *LL (000)* | *Total* *LL (000)* |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance at 1 January 2024 | 4,456,890 | 7,193,423 | 91,756,862 | 322,527 | 274,393 | 104,004,095 |
| Additions | - | 2,168,999 | - | - | - | 2,168,999 |
| Disposals | - | - | (30,744) | - | - | (30,744) |
| Balance at 31 December 2024 | 4,456,890 | 9,362,422 | 91,726,118 | 322,527 | 274,393 | 106,142,350 |
| Depreciation | | | | | | |
| Balance at 1 January 2024 | - | (6,961,121) | (23,868,318) | (322,527) | (273,473) | (31,425,439) |
| Charge for the year | - | (28,802) | (6,006,166) | - | (918) | (6,035,886) |
| Related to disposals | - | - | 30,744 | - | - | 30,744 |
| Balance at 31 December 2024 | | (6,989,923) | (29,843,740) | (322,527) | (274,391) | (37,430,581) |
| Net book value | | | | | | |
| **At 31 December 2024** | **4,456,890** | **2,372,499** | **61,882,378** | - | - | **68,711,769** |

| | *Land* *LL (000)* | *Buildings* *LL (000)* | *Installations and equipment* *LL (000)* | *Vehicles* *LL (000)* | *Furniture and fixtures* *LL (000)* | *Total* *LL (000)* |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance at 1 January 2023 | 4,456,890 | 7,193,423 | 48,858,261 | 331,572 | 274,393 | 61,114,539 |
| Additions | - | - | 42,898,601 | - | - | 42,898,601 |
| Disposals | - | - | - | (9,045) | - | (9,045) |
| Balance at 31 December 2023 | 4,456,890 | 7,193,423 | 91,756,862 | 322,527 | 274,393 | 104,004,095 |
| Depreciation | | | | | | |
| Balance at 1 January 2023 | - | (6,930,137) | (21,238,201) | (331,572) | (271,270) | (28,771,180) |
| Charge for the year | - | (30,984) | (2,630,117) | - | (2,203) | (2,663,304) |
| Related to disposals | - | - | - | 9,045 | - | 9,045 |
| Balance at 31 December 2023 | - | (6,961,121) | (23,868,318) | (322,527) | (273,473) | (31,425,439) |
| Net book value | | | | | | |
| At 31 December 2023 | 4,456,890 | 232,302 | 67,888,544 | - | 920 | 72,578,656 |

## 7 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties included in the statement of financial position are as follows:

| | *2024* | *2023* |
|---|---|---|
| | ***Due to*** | *Due to* |
| | ***LL (000)*** | *LL (000)* |
| **Current:** | | |
| Holcim Liban SAL – parent company | **110,393,650** | 41,507,030 |
| Societe Carrière de Jieh SAL - related party | **13,007** | 13,007 |
| | **110,406,657** | 41,520,037 |

Above related parties balances are current in nature and do not carry any interest.

| | *2024* | *2023* |
|---|---|---|
| | ***LL (000)*** | *LL (000)* |
| **Loan to the parent company:** | | |
| Holcim Liban SAL | - | 120,000,000 |

During 2008, the Company granted a loan to Holcim Liban SAL amounting to US$ 5,000,000 which was increased to US$ 8,000,000 during 2009. The loan amounted to LL (000) 120,000,000 as at 31 December 2023. The loan matures on 31 December 2024 and was fully settled during 2024. Holcim Liban SAL fully settled the loan and its interests by a transfer of US$ 3,954,750 Restricted and a transfer of LL (000) 64,541,205 being the counter value of US$ 4,302,747 Restricted at the rate of 15,000 LL for the US$.

Transactions with related parties included in the statement of comprehensive income consist of transactions with the parent company and are as follows:

| | *2024* | *2023* |
|---|---|---|
| | ***LL (000)*** | *LL (000)* |
| Purchase of goods | **5,767,629** | 47,559,037 |
| Purchase of services | **2,113,574** | 6,989,191 |
| Interest income on loan | **3,395,260** | 3,127,309 |
| Technical assistance (note 4) | **19,492,390** | 20,446,880 |
| Recharged costs from a related party (note 4) | **17,861,246** | 24,126,735 |

## 8 INVENTORIES

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Raw material and combustibles | **154,237,083** | 58,777,158 |
| Finished goods – white cement | **34,720,438** | 38,881,935 |
| Spare parts | **13,458,624** | 14,915,404 |
| Work in progress | **96,293,282** | 130,203,603 |
| | **298,709,427** | 242,778,100 |
| Less: provision for slow moving and obsolete inventory | **(2,850,740)** | (1,485,584) |
| | **295,858,687** | 241,292,516 |

The movement of the provision for slow moving and obsolete inventory during the year was as follows:

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Balance at 1 January | **1,485,584** | 1,108,770 |
| Provided during the year | **1,365,156** | 376,814 |
| Balance at 31 December | **2,850,740** | 1,485,584 |

Provision for obsolete inventory is determined according to the Group policy defined as follows:

- 30% for inventory aging bracket between 365 and 729 days
- 50% for inventory aging bracket between 730 and 1,095 days
- 80% for inventory aging bracket more than 1,095 days

## 9 OTHER ASSETS

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Advances to suppliers | **7,025,543** | 8,654,262 |
| Value added tax receivable | **5,020,546** | 5,749,424 |
| Other receivables | **17,882** | 17,882 |
| | **12,063,971** | 14,421,568 |

Other assets are segregated into the following currencies:

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Lebanese Lira | **9,450,434** | 12,695,636 |
| Unrestricted US Dollar (fresh) | **2,613,537** | 1,725,932 |
| | **12,063,971** | 14,421,568 |

## 10 ACCOUNTS RECEIVABLE

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Trade receivables | **837,184** | 632,802 |
| Less: allowance for credit loss – credit impaired | **(107,493)** | (107,493) |
| | **729,691** | 525,309 |

The aging of trade receivables as at 31 December 2024 and 2023 is detailed as follows:

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Not due | **750,224** | 556,155 |
| 0 – 30 days | **425** | 427 |
| 31 – 60 days | **-** | - |
| 61 – 90 days | **2,720** | 2,720 |
| 91 – 120 days | **2,250** | - |
| >120 days | **81,565** | 73,500 |
| | **837,184** | 632,802 |

## 11 BANK BALANCES

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Bank balances | **174,748,747** | 76,822,940 |

Bank balances are segregated as follows by currency:

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Unrestricted US Dollar (fresh) - resident | **13,060,556** | 57,863,828 |
| Unrestricted US Dollar (fresh) – non-resident | **17,021,075** | - |
| Lebanese Lira | **79,320,165** | 11,831,150 |
| Restricted US Dollar (local) | **65,346,951** | 7,127,962 |
| | **174,748,747** | 76,822,940 |

Restricted US Dollar (local) as at 31 December 2024 and 31 December 2023, consist of balances with Lebanese banks that are subject to de-facto capital controls and restricted transfers outside Lebanon. However, these balances are available for disbursement within Lebanon.

## 12 CAPITAL

As at 31 December 2024 and 2023, the Company's capital amounting to LL (000) 13,500,000 consists of 9,000,000 shares with a par value of LL 1,500 each, authorized and fully paid.

## 13 RESERVES

*Legal 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 legal reserve until this reserve equals one third of the capital. This limit was attained in prior years and no further transfer is required. This reserve is not available for dividend distribution.

*Other reserve*
Other reserve of LL (000) 4,456,324 represents the amount of the revaluation reserve net of tax of LL (000) 445,632 that arose on revaluation of property and equipment in 1997. The revaluation surplus is subject to capital gains tax. Accordingly, a deferred tax liability of LL (000) 445,632 is carried in respect of this temporary difference.

## 14 RETIREMENT BENEFIT OBLIGATIONS

The Company has a defined benefit plan covering substantially all of its employees. The plan 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. Movements in the provision for end service benefits recognized in the statement of financial position are as follows:

| | *2024*<br>*LL (000)* | *2023*<br>*LL (000)* |
|---|---|---|
| Balance at 1 January | **12,978,028** | 1,676,083 |
| *Costs charged to the income statement:* | | |
| Current service cost | **88,830** | 5,151 |
| Interest expense | **377,460** | 47,991 |
| | **466,290** | 53,142 |
| *Re-measurement gains in other comprehensive income:* | | |
| Experience adjustments | **35,896,563** | 11,574,161 |
| Charges in financial assumptions | **(1,384,678)** | - |
| | **34,511,885** | 11,574,161 |
| End of service benefits paid during the year | **(9,264,873)** | (325,358) |
| Balance at 31 December | **38,691,330** | 12,978,028 |

The provisions at the respective reporting dates have been calculated based on the following actuarial assumptions:

| | *2024* | *2023* |
|---|---|---|
| Discount rate | **13.58%** | 5.6% |
| Expected rate of return on contribution | **5.0%** | 5.0% |
| Salary growth rate | **4.0%** | 4.0% |
| Mortality rate | **None** | None |
| Turnover rate | **1.0%** | 1.0% |
| Retirement age | **Earliest of 64 or completion of 35 years of contributions** | Earliest of 64 or completion of 35 years of contribution |

## 15 ACCOUNTS PAYABLE

| | *2024 LL (000)* | *2023 LL (000)* |
|---|---|---|
| Trade payables | **38,730,995** | 55,896,763 |
| Due to related parties (note 7) | **110,406,657** | 41,520,037 |
| | **149,137,652** | 97,416,800 |

Trade payables consist of current trade suppliers' balances, are non-interest bearing and segregated into the following currencies. Trade payables are mainly unrestricted by nature.

| | *2024 LL (000)* | *2023 LL (000)* |
|---|---|---|
| Unrestricted US Dollar (fresh) | **29,312,002** | 31,665,320 |
| Unrestricted Euro (fresh) | **2,018,546** | 21,921,448 |
| Lebanese Lira | **7,010,134** | 1,919,682 |
| Restricted GBP (local) | **185,794** | 185,794 |
| Restricted US Dollar (local) | **126,272** | 126,272 |
| Restricted Euro (local) | **78,247** | 78,247 |
| | **38,730,995** | 55,896,763 |

## 16 ACCRUED EXPENSES AND OTHER LIABILITIES

| | *2024 LL (000)* | *2023 LL (000)* |
|---|---|---|
| Advances from customers | **1,220,963** | 1,987,109 |
| Social security dues | **469,529** | 274,731 |
| Taxes withheld on salaries | **259,288** | 200,020 |
| Deferred income | **213,700** | 173,250 |
| Dividends payable | - | 168,101 |
| Other accrued expenses | **36,250,150** | 66,870,162 |
| | **38,413,630** | 69,673,373 |

## 17 COMMITMENTS AND CONTINGENCIES

The Company's books and records from the years 2018 to 2024 remain subject to review by the Department of Value Added Tax and Department of Income Tax. Management does not believe that the ultimate outcome of any such reviews can have a material effect on the financial statements.

The Company's books have not been reviewed by the National Social Security Fund since inception of the Company. Management does not believe that the ultimate outcome of any such reviews can have a material effect on the financial statements.

## 18 RISK MANAGEMENT

**Interest rate risk**
The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest-earning assets and interest-bearing liabilities and related interest amounts. The Company has no significant liabilities subject to interest. The Company's major interest-bearing assets as at 31 December 2023 is the loan to the parent company that is subject to variable interest rate. A 1% change in interest rate would impact the Company's profitability by LL (000) 1,200,000. The Company is not exposed to significant interest rate risk on its assets as at 31 December 2024 as the loan to the parent company was fully settled.

**Credit risk**
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets which potentially subject the Company to credit risk consist mainly of cash at banks and trade receivables.

The Company's onshore liquid funds are placed with Lebanese banks and are subject to de-facto capital control imposed by banks. As a result of the current financial and economic crisis in Lebanon, credit rating agencies have downgraded the credit rating for Lebanon to default category with little recovery, which resulted in an increase in significant credit risk for the Company's exposure to Lebanese banks. The Company's offshore liquid funds with Lebanese banks are not subject to de-facto capital control and are placed with reputable banks.

**Liquidity risk**
Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Company manages liquidity risk by maintaining adequate resources and ensuring the availability of necessary facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Currency risk**
Currency risk arises from currency fluctuation effects on the monetary assets and liabilities denominated in foreign currencies. The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's monetary assets and liabilities are mostly denominated in Euro, US Dollar and Lebanese Lira. The de-facto capital control imposed by banks in Lebanon since October 2019 mainly on movement of funds in foreign currencies, caused a wide range of price variance between the official rates and the market rates from the last quarter of 2019 until the latest change in January 2024, leading to a convergence of these rates. Management is taking steps to address currency risk by matching sources and applications of funds, as applicable.

**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 business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2024 and 31 December 2023. Equity comprises of paid capital, retained earnings, share premium, and reserves and is measured at a surplus of LL (000) 314,725,746 as at 31 December 2024 (2023: LL (000) 297,481,354).

## 19 FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates. The carrying book values of financial assets and liabilities are not materially different from their fair values applicable at the reporting date.

*Effects of exchange rates on fair value measurements*
The fair values of assets and liabilities are first determined in their original currency, which is not always the Lebanese Lira. These are then translated to Lebanese Lira at the exchange rates as discussed in note 2.2. For the purpose of comparing the carrying amount of financial assets and liabilities, management considers values in original currencies.

## 20 SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their geographical location and has one reportable operating segment "Local sales".

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.

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| Sales | **487,309,745** | 511,171,997 |
| Cost of sales | **(378,572,422)** | (285,643,129) |
| **GROSS PROFIT** | **108,737,323** | 225,528,868 |
| Distribution expenses | **(24,251,841)** | (27,096,834) |
| General and administrative expenses | **(26,316,247)** | (26,803,311) |
| Provision for slow moving and obsolete inventory | **(1,365,156)** | (376,814) |
| Foreign exchange, net | **4,451,391** | 2,111,966 |
| **Segment profit** | **61,255,470** | 173,363,875 |
| **Operating assets** | **552,112,865** | 405,640,989 |
| **Operating liabilities** | **237,387,119** | 228,159,635 |

**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.

## 20 SEGMENT INFORMATION (continued)

**Reconciliation of profit**

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| **Segment profit** | **61,255,470** | 173,363,875 |
| Finance costs, net | **(2,240,803)** | (2,249,321) |
| Income tax expense | **(10,653,650)** | (47,578,116) |
| Interest income on loan to a shareholder | **3,395,260** | 3,127,309 |
| Foreign exchange, net | - | 107,940,000 |
| **Company profit** | **51,756,277** | 234,603,747 |

**Reconciliation of assets**

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| **Segment assets** | **552,112,865** | 405,640,989 |
| Loan to the parent company | - | 120,000,000 |
| **Company assets** | **552,112,865** | 525,640,989 |

**Reconciliation of liabilities**

| | *2024* *LL (000)* | *2023* *LL (000)* |
|---|---|---|
| **Segment liabilities** | **236,896,262** | 227,668,778 |
| Provisions for risks and charges | **45,225** | 45,225 |
| Income tax payable | **445,632** | 445,632 |
| **Company liabilities** | **237,387,119** | 228,159,635 |