

**SOCIETE LIBANAISE DES
CIMENTS BLANCS S.A.L.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2017**

SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
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BT 33244/1/DTT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Société Libanaise des Ciments
Blancs S.A.L.
Chekka, Lebanon

Opinion

We have audited the accompanying financial statements of Société Libanaise des Ciments Blancs S.A.L. (the "Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 are 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the year ended December 31, 2017. We have determined that there are no key audit matters to communicate in our audit report.

Other matter

The financial statements of the Company for the year ended December 31, 2016 were audited by another auditor whose report, dated May 26, 2017, expressed an unqualified opinion on those financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

The partner in charge of the audit resulting in this independent auditors' report is Nada Maalouf.

Beirut, Lebanon
June 7, 2018



وليد رضايه
خبرعامة عجاز




Deloitte & Touche
Deloitte & Touche


SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2017</u> <u>LBP'000</u>	<u>2016</u> <u>LBP'000</u>
Current Assets:			
Cash and cash equivalents	5	5,236,466	5,578,945
Accounts receivable	6	7,347,127	6,327,705
Inventories	7	5,127,595	4,000,459
Other assets	8	261,963	290,990
Total current assets		17,973,151	16,198,099
Non-Current Assets:			
Property and equipment	9	9,564,403	9,366,085
Loan to the parent company	12	12,060,000	12,060,000
Total non-current assets		21,624,403	21,426,085
Total Assets		39,597,554	37,624,184
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	10	4,458,256	2,282,586
Accrued expenses and other liabilities	11	1,521,807	1,860,201
Current income tax liability	15	1,214,375	1,021,000
Deferred income		167,822	429,663
Total current liabilities		7,362,260	5,593,450
Non-Current Liabilities:			
Provision for risk and charges	13	1,854,226	1,854,226
Retirement benefit obligations	14	1,240,931	1,143,011
Deferred tax liability	15	445,632	445,632
Total non-current liabilities		3,540,789	3,442,869
Total Liabilities		10,903,049	9,036,319
<u>EQUITY</u>			
Capital	16	13,500,000	13,500,000
Share premium		2,656	2,656
Legal reserve	17	4,500,000	4,500,000
Other reserve	17	4,010,692	4,010,692
Retained earnings	18	6,681,157	6,574,517
Total Equity		28,694,505	28,587,865
Total Liabilities and Equity		39,597,554	37,624,184

The accompanying financial statements were approved for issue by the Board of Directors on May 31, 2018 and were signed on its behalf by:



Mr. Toufic Tabbara
Chief Executive Officer



Mr. Markus Herbst
Chief Financial Officer

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2017</u> <u>LBP'000</u>	<u>2016</u> <u>LBP'000</u>
Net sales	19	20,275,946	18,400,124
Cost of sales	20	(10,911,736)	(9,698,355)
Gross profit		<u>9,364,210</u>	<u>8,701,769</u>
Distribution expenses	20	(913,630)	(1,007,004)
General and administrative expenses	20	(988,754)	(806,765)
(Provision)/write-back of provision for obsolete inventory	7	(160,710)	33,691
Finance income, net	21	620,110	713,321
Net foreign exchange (loss)/gain		(6,227)	4,627
		<u>(1,449,211)</u>	<u>(1,062,130)</u>
Profit before income tax		7,914,999	7,639,639
Income tax expense	15	(1,214,055)	(1,023,722)
Profit for the year		<u>6,700,944</u>	<u>6,615,917</u>
Other comprehensive income/(loss) for the year:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit obligations	14	(24,304)	(46,887)
Total other comprehensive loss for the year		<u>(24,304)</u>	<u>(46,887)</u>
Total comprehensive income for the year		<u>6,676,640</u>	<u>6,569,030</u>
Profit for the year (LBP)		6,700,944	6,615,917
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 (LBP)		<u>745</u>	<u>735</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
STATEMENT OF CHANGES IN EQUITY

	<u>Capital</u> LBP'000	<u>Share</u> <u>Premium</u> LBP'000	<u>Legal</u> <u>Reserve</u> LBP'000	<u>Other</u> <u>Reserve</u> LBP'000	<u>Retained</u> <u>Earnings</u> LBP'000	<u>Total</u> LBP'000
Balance at January 1, 2016	13,500,000	2,656	4,135,975	4,010,692	4,471,617	26,120,940
Profit for the year	-	-	-	-	6,615,917	6,615,917
Total comprehensive loss for the year	-	-	-	-	(46,887)	(46,887)
Transfer to legal reserve (Note 17)	-	-	364,025	-	(364,025)	-
Dividend declared (Note 18)	-	-	-	-	(4,102,105)	(4,102,105)
Balance at December 31, 2016	13,500,000	2,656	4,500,000	4,010,692	6,574,517	28,587,865
Profit for the year	-	-	-	-	6,700,944	6,700,944
Total comprehensive loss for the year	-	-	-	-	(24,304)	(24,304)
Dividend declared (Note 18)	-	-	-	-	(6,570,000)	(6,570,000)
Balance at December 31, 2017	<u>13,500,000</u>	<u>2,656</u>	<u>4,500,000</u>	<u>4,010,692</u>	<u>6,681,157</u>	<u>28,694,505</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
STATEMENT OF CASH FLOWS

	<u>Notes</u>	Year Ended	
		December 31,	
		<u>2017</u>	<u>2016</u>
		LBP'000	LBP'000
Cash flows from operating activities			
Profit for the year		6,700,944	6,615,917
Adjustments for:			
Depreciation	9	669,345	648,633
Provision for income tax expense	15	1,214,055	1,023,722
Transfer to retirement benefit obligations	14	73,616	71,025
Provision/(write-back of provision) for obsolete inventory	7	160,710	(33,691)
Operating cash flows from changes in working capital:			
(Increase)/decrease in inventories		(1,287,846)	435,953
(Increase)/decrease in trade receivables		(385,720)	413,568
Decrease/(increase) in other assets		29,026	(19,414)
Increase/(decrease) in trade payables		320,929	(752,651)
Decrease in accrued expenses and other liabilities		(286,822)	(44,757)
Net change in related parties balances		1,221,038	(3,134,121)
Decrease in deferred income		(261,839)	(319,645)
Income tax paid	15	(1,020,680)	(827,630)
Benefit payments related to retirement benefit obligations	14	-	(172,676)
Net cash generated from operating activities		<u>7,146,756</u>	<u>3,904,233</u>
Cash flows from investing activities			
Acquisition of property and equipment	9	(867,663)	(308,637)
Net cash used in investing activities		<u>(867,663)</u>	<u>(308,637)</u>
Cash flows from financing activities			
Dividends paid to shareholders	18	(6,621,572)	(3,962,302)
Net cash used in financing activities		<u>(6,621,572)</u>	<u>(3,962,302)</u>
Net decrease in cash and cash equivalents		(342,479)	(366,706)
Cash and cash equivalents - Beginning of year		<u>5,578,945</u>	<u>5,945,651</u>
Cash and cash equivalents - End of year	5	<u>5,236,466</u>	<u>5,578,945</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

1. GENERAL 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, Hery and Kefraya in the North of Lebanon.

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

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

The parent company is Holcim (Liban) S.A.L. The ultimate parent company is LafargeHolcim Ltd. and the address of its registered office is Zürcherstrasse 156, Jona, Switzerland.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements.

Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments has had no impact on the Company's financial statements.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014–2016 Cycle amending IFRS 1 and IAS 28.	January 1, 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
<i>IFRIC 22 Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none">• there is consideration that is denominated or priced in a foreign currency;• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and• the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i> The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none">• Whether tax treatments should be considered collectively;• Assumptions for taxation authorities' examinations;• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and• The effect of changes in facts and circumstances.	January 1, 2019
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018

New and revised IFRSs

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement* was issued in July 2014. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

January 1, 2019

New and revised IFRSs

IFRS 15 Revenue from Contracts with Customers

January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

IFRS 16 Leases

January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

January 1, 2019

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.

When IFRS 9 is first applied

New and revised IFRSs

Effective for annual periods beginning on or after

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

When IFRS 9 is first applied

IFRS 17 *Insurance Contracts*

January 1, 2021

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

B. Basis of Preparation:

The financial statements have been prepared on the historical cost basis.

The principal accounting policies are set out below.

C. Inventories:

Inventories of materials of products, and consumables are stated at the lower of cost or net realizable value. Cost has been determined following the weighted average cost method. The cost of finished and semi-finished products includes cost of materials, direct labor and manufacturing overheads. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

D. Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Costs incurred subsequent to initial acquisition are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, other than work-in-progress, over their estimated useful lives, using the straight-line method, as follows:

	<u>Rate</u> %
Buildings	6
Installations and equipment	8
Vehicles	25
Furniture and fixtures	8

E. Retirement Benefit Obligations:

The Company is subscribed to the compulsory defined benefit plan in accordance with the National Social Security Fund (the “Fund”) regulations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

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

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

F. Taxation:

Provision for income tax is computed based on the taxable profits for the year, as adjusted for items of income and expenses that are never taxable or deductible.

Income tax law allows companies taxable on real profits to carry forward taxable losses for the year, for three consecutive years to reduce taxable profits in those years, if any.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

G. Provisions:

Provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

H. Revenue Recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably.

Rendering of services

Revenue to provide services is recognized when the services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

I. Borrowing Cost:

Borrowing cost on loans are recognized in the statement of profit or loss in the period in which they are incurred.

J. Impairment of Tangible and Intangible Assets:

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

K. Foreign Currencies:

The financial statements are presented in Lebanese Pound which is the reporting currency of the Company, whereas the primary currency of the economic environment in which the Company operates (functional currency) is the U.S. Dollar (“USD”). The exchange rate of U.S. Dollar against Lebanese Pound has been constant since many years.

Transactions in currencies other than the entity's reporting currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

L. Financial Instruments – Recognition and Measurement:

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are measured at their amortized cost, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of profit or loss when there is objective evidence that the asset is impaired.

Due from related parties

Due from related parties are measured at their amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

Financial liabilities instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Trade and other payables

Trade and other payables are measured at their amortized cost.

Due to related parties

Due to related parties are stated at their nominal value.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

M. Leasing:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

N. Offsetting of Financial Assets and Financial Liabilities:

Financial assets and liabilities are set-off and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to set-off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

In the application of the accounting policies described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Property and equipment

The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset, which depends on operational factors. Management has not considered any residual value for property and equipment as it is deemed immaterial.

Provision for slow-moving inventories

Inventories are stated at the lower of cost and net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions and on the Company's historical trend. Additional information is disclosed in Note 14.

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is disclosed in Note 14.

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 financial statements continue to be prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Banks' current accounts	5,081,171	4,821,619
Short term bank deposit	-	602,174
Cheques under collection	155,295	155,152
	<u>5,236,466</u>	<u>5,578,945</u>

Banks' current accounts are segregated into the following currencies:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Lebanese Pounds	1,613,350	2,181,033
U.S. Dollar	3,467,821	3,242,760
	<u>5,081,171</u>	<u>5,423,793</u>

Current accounts at banks do not earn interest.

At December 31, 2016, the Company had a short term bank deposit of LBP602million at a fixed annual interest rate of 4% which was closed during the year 2017.

6. ACCOUNTS RECEIVABLE

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Trade receivables	1,120,455	734,735
Due from related parties (Note 12)	6,281,403	5,647,701
<u>Less: Provision for doubtful debts</u>	<u>(54,731)</u>	<u>(54,731)</u>
	<u><u>7,347,127</u></u>	<u><u>6,327,705</u></u>

Trade receivables are mainly denominated in U.S. Dollar.

Trade receivables are distributed as follows by brackets of outstanding balance:

	<u>December 31, 2017</u>		
	<u>Balance</u>	<u>Number of</u>	<u>Percentage</u>
	<u>LBP'000</u>	<u>Clients</u>	<u>%</u>
Between LBP200million and LBP300million	210,772	1	19
Between LBP100million and LBP200million	308,812	2	28
Between LBP50million and LBP100million	-	-	-
Between LBP10million and LBP50million	195,995	9	17
Below LBP10million	50,655	20	4
Checks under collection	<u>354,221</u>	<u>-</u>	<u>32</u>
	<u><u>1,120,455</u></u>	<u><u>32</u></u>	<u><u>100</u></u>

	<u>December 31, 2016</u>		
	<u>Balance</u>	<u>Number of</u>	<u>Percentage</u>
	<u>LBP'000</u>	<u>Clients</u>	<u>%</u>
Between LBP200million and LBP300million	-	-	-
Between LBP100million and LBP200million	453,593	3	62
Between LBP50million and LBP100million	-	-	-
Between LBP10million and LBP50million	267,939	11	36
Below LBP10million	<u>13,203</u>	<u>9</u>	<u>2</u>
	<u><u>734,735</u></u>	<u><u>23</u></u>	<u><u>100</u></u>

The aging of trade receivables as at December 31, 2017 and 2016 is detailed as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Not due	212,230	82,730
Up to 3 months	376,828	201,635
Over 3 months	531,397	450,370
	<u>1,120,455</u>	<u>734,735</u>

7. INVENTORIES

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Raw materials and combustibles	1,801,584	1,119,501
Spare parts	1,697,544	1,666,088
Finished goods – white cement	658,087	608,499
Work in progress	1,536,840	1,067,875
	5,694,055	4,461,963
Goods in transit	97,548	126,161
<u>Less: Provision for obsolete inventory</u>	<u>(664,008)</u>	<u>(587,665)</u>
	<u>5,127,595</u>	<u>4,000,459</u>

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

	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Balance at January 1	587,665	621,356
Additions/ (write-back)	160,710	(33,691)
Write-offs	<u>(84,367)</u>	<u>-</u>
Balance at December 31	<u>664,008</u>	<u>587,665</u>

8. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2017	2016
	LBP'000	LBP'000
Advances to suppliers	124,418	160,533
Value added tax receivable	63,115	50,502
Other receivables	74,430	79,955
	<u>261,963</u>	<u>290,990</u>

9. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>Land</u> LBP'000	<u>Buildings</u> LBP'000	<u>Installations And Equipment</u> LBP'000	<u>Vehicles</u> LBP'000	<u>Furniture and Fixtures</u> LBP'000	<u>Total</u> LBP'000
Cost:						
Balance - January 1, 2016	4,456,890	7,193,423	20,315,645	331,572	274,393	32,571,923
Additions	-	-	488,479	-	-	488,479
Balance - December 31, 2016	4,456,890	7,193,423	20,804,124	331,572	274,393	33,060,402
Additions	-	-	867,663	-	-	867,663
Balance - December 31, 2017	4,456,890	7,193,423	21,671,787	331,572	274,393	33,928,065
Accumulated Depreciation:						
Balance - January 1, 2016	-	(6,591,770)	(15,908,010)	(290,053)	(255,851)	(23,045,684)
Charge for the year	-	(63,126)	(564,076)	(19,228)	(2,203)	(648,633)
Balance - December 31, 2016	-	(6,654,896)	(16,472,086)	(309,281)	(258,054)	(23,694,317)
Charge for the year	-	(63,126)	(584,788)	(19,228)	(2,203)	(669,345)
Balance - December 31, 2017	-	(6,718,022)	(17,056,874)	(328,509)	(260,257)	(24,363,662)
Net Book Value:						
December 31, 2017	<u>4,456,890</u>	<u>475,401</u>	<u>4,614,913</u>	<u>3,063</u>	<u>14,136</u>	<u>9,564,403</u>
December 31, 2016	<u>4,456,890</u>	<u>538,527</u>	<u>4,332,038</u>	<u>22,291</u>	<u>16,339</u>	<u>9,366,085</u>

10. ACCOUNTS PAYABLE

	December 31,	
	2017	2016
	LBP'000	LBP'000
Trade payables	1,733,014	1,412,085
Due to related parties (Note 12)	<u>2,725,242</u>	<u>870,501</u>
	<u>4,458,256</u>	<u>2,282,586</u>

Trade payables consist of trading suppliers' balances, mostly denominated in U.S. Dollar. These accounts are non-interest bearing and carry short term maturities.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	2017	2016
	LBP'000	LBP'000
Accrued rebates	460,186	636,870
Other accrued expenses	320,328	185,796
Dividend payable (Note 18)	473,411	524,983
Advances from customers	164,920	382,425
Municipality tax	-	65,610
Taxes withheld on salaries	79,513	55,402
Social security dues	<u>23,449</u>	<u>9,115</u>
	<u>1,521,807</u>	<u>1,860,201</u>

12. RELATED PARTY BALANCES AND TRANSACTIONS

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard No. 24: Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control and key management personnel.

This caption consists of the following:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Current:				
Holcim Liban S.A.L. – Parent Company	5,935,401	2,712,235	5,301,699	857,494
Holcim Beton S.A.L. – Fellow subsidiary	346,002	-	346,002	-
Societe Carriere de Jieh S.A.R.L. - Other related party	-	13,007	-	13,007
	<u>6,281,403</u>	<u>2,725,242</u>	<u>5,647,701</u>	<u>870,501</u>

Above related parties balances are current in nature, do not carry any interest and denominated in U.S. Dollar and Lebanese Pounds.

During the year, the Company carried out the following transactions with the parent company

	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Dividend distribution	4,119,020	2,571,789
Sales of goods	348,589	-
Sales of clinker (Note 19)	1,130,954	-
Purchase of goods	3,485,098	2,690,380
Purchase of services	611,092	608,970
Interest income on loan (Note 21)	697,072	692,256
Technical assistance (Note 20)	751,857	736,019
Recharged costs from a related party (Note 20)	479,646	367,883

In addition, the Company purchased during the year goods from Lafarge Holcim Trading Ltd in the amount of LBP1.5billion (Nil during 2016).

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Loan to the Parent Company:		
Holcim Liban S.A.L.	12,060,000	12,060,000
Accrued interest receivable	<u>5,935,401</u>	<u>5,301,699</u>
	<u>17,995,401</u>	<u>17,361,699</u>

The Company has no intention to demand repayment of the principal amount of LBP12billion for at least 12 months from the financial position date and, accordingly, it was classified as non-current. The loan was subject to an effective interest rate of 3.6% during the year. Accrued interest receivable was classified as current.

Interest income for the year amounted to LBP697million (LBP692million during 2016) and was recorded under "Finance income, net" in the statement of profit or loss (Note 21).

13. PROVISION FOR RISK AND CHARGES

	December 31,	
	2017	2016
	LBP'000	LBP'000
Legal claims	1,809,001	1,809,001
Others	45,225	45,225
	<u>1,854,226</u>	<u>1,854,226</u>

Legal claims provision relates mainly to litigation involving a previous employee requesting additional indemnity recorded in prior years. The Court decision was made in favor of the employee and which is being appealed by the Company.

14. RETIREMENT BENEFIT OBLIGATIONS

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

The movement in the statement of financial position during the year was as follows:

	2017	2016
	LBP'000	LBP'000
Balance at January 1	1,143,011	1,197,775
Current service cost	10,190	9,380
Interest expense	63,426	61,645
Total amount recognized in profit or loss	<u>73,616</u>	<u>71,025</u>
Remeasurements		
Experience losses	24,304	46,887
Total amount recognized in other comprehensive loss	<u>24,304</u>	<u>46,887</u>
Benefit payments during the year	-	(172,676)
Balance at December 31	<u>1,240,931</u>	<u>1,143,011</u>

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees, IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the financial statements as at December 31, 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated based on the following actuarial assumptions:

	<u>2017</u>	<u>2016</u>
Discount rate	5.5%	5.5%
Expected rate of return on contributions	5.0%	5.0%
Salary growth rate	4.0%	4.0%
Mortality rate	None	None
Turnover rate	None	None
Retirement age	Earliest of 64 or completion of 20 years of contribution	Earliest of 64 or or completion of 20 years of contribution

15. INCOME TAX EXPENSE

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

	<u>2017</u>	<u>2016</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Profit before tax	<u>7,914,999</u>	<u>7,639,639</u>
Income tax expenses at statutory rate of 15.64% in 2017 (15% in 2016)	1,238,563	1,145,946
Effect of expenses not deductible for tax purposes:		
Provision for obsolete inventory	25,148	-
Provision for rebates	72,033	-
Taxes	9,947	10,131
Effect of revenue not taxable for tax purposes:		
Write-back of depreciation on property and equipment	(22,534)	(21,600)
Interest income from loan to a related party	(109,072)	(103,838)
Other income	(30)	(6,917)
Total current income tax expense	<u>1,214,055</u>	<u>1,023,722</u>

The Company's tax returns and VAT declarations for the years 2013 to 2017 remain subject to examination and final assessment by the tax authorities and any additional tax liability depends on the outcome of such a review.

Also, the Company's records are still subject to examination by the National Social Security Fund. The result of this examination cannot be determined at the present.

Movement in the current income tax liability is as follows:

	<u>2017</u> <u>LBP'000</u>	<u>2016</u> <u>LBP'000</u>
Balance brought forward	1,021,000	824,908
Provision for the year	1,214,055	1,023,722
Payments during the year	(1,020,680)	(827,630)
	<u>1,214,375</u>	<u>1,021,000</u>

The deferred tax liability of LBP446million relates mainly to the capital gains tax applicable to the revaluation surplus (Note 17).

16. CAPITAL

As at December 31, 2017 and 2016, the Company's capital amounting to LBP13.5billion consists of 9,000,000 shares with a par value of LBP1,500 each, authorized and fully paid.

17. RESERVES

Legal reserve

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

Other reserve

Other reserve of LBP4billion represents the amount of the revaluation reserve net of tax of LBP446million 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 LBP446million is carried in respect of this temporary difference (Note 15).

18. DIVIDENDS DISTRIBUTION

On June 22, 2017, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP6.6billion (LBP730 per share).

On June 22, 2016, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP4.1billion (LBP455 per share).

An amount of LBP473million (2016: LBP525million) was outstanding as dividend payable at the financial position date.

19. NET SALES

	Year Ended December 31,	
	2017 LBP'000	2016 LBP'000
White cement	20,129,057	20,627,691
Clinker (Note 12)	1,130,954	-
Discounts	(984,065)	(2,227,567)
	<u>20,275,946</u>	<u>18,400,124</u>

There was a concentration of sales in respect of four major customers who account for 38% (2016: one major customer for 34%) of total sales for the year.

20. EXPENSES BY NATURE

This caption comprises the following for the year ended December 31:

	2017			2016	
	Cost of Sales LBP'000	Distribution Expenses LBP'000	General and Administrative Expenses LBP'000	Total LBP'000	Total LBP'000
Combustibles	3,402,170	-	-	3,402,170	2,470,569
Raw materials	2,491,060	18,030	-	2,509,090	2,139,486
Salaries and related charges	1,776,315	164,694	55,681	1,996,690	1,785,646
Spare parts, consumables and maintenance expenses	1,107,219	123,537	-	1,230,756	1,405,692
Energy consumption	1,317,418	7,320	-	1,324,738	1,128,046
Technical assistance (Note 12)	-	-	751,857	751,857	736,019
Depreciation charge (Note 9)	669,345	-	-	669,345	648,633
Packing materials	-	478,239	-	478,239	521,936
Contractual employees	291,849	111,498	-	403,347	337,583
Other third party services	40,689	2,788	-	43,477	158,091
Other taxes	159,698	-	-	159,698	66,700
Changes in inventories of finished goods and work in progress	(518,551)	-	-	(518,551)	(139,353)
Other expenses	<u>174,524</u>	<u>7,524</u>	<u>181,216</u>	<u>363,264</u>	<u>253,076</u>
	<u>10,911,736</u>	<u>913,630</u>	<u>988,754</u>	<u>12,814,120</u>	<u>11,512,124</u>

Salaries and related charges consist of the following:

	Year Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
	LBP'000	LBP'000
Salaries	1,026,265	936,245
Costs recharged from a related party (Note 12)	479,646	367,883
Transportation	49,064	49,072
National social security contributions	169,764	154,454
Other benefits	<u>271,951</u>	<u>277,992</u>
	<u>1,996,690</u>	<u>1,785,646</u>

21. FINANCE INCOME – NET

	Year Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
	LBP'000	LBP'000
Interest income on a loan granted to the Parent Company (Note 12)	697,072	692,256
Interest income on bank deposits	3,851	92,114
Other charges	<u>(80,813)</u>	<u>(71,049)</u>
	<u>620,110</u>	<u>713,321</u>

22. STATEMENT OF CASH FLOWS

The following non-cash transaction was excluded from the statement of cash flows during 2017:

- Dividends declared not yet paid amounting to LBP52million.

23. 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's value.

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or procedures during the years ended 2017 and 2016. Equity comprises capital, share premium, reserves and retained earnings, and is measured at LBP28.7billion as at December 31, 2017 (2016: LBP28.6billion).

24. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

(a) Fair Values of Financial Assets and Liabilities:

The carrying book values of financial assets and liabilities are not materially different from their fair values applicable at the reporting date.

(b) 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 liquid funds are placed with prime banks. As shown in note 6 above, concentration of credit risk exists whereby three customers represent 68% of total trade receivables as at December 31, 2017 (three customers represent 62% as at December 31, 2016).

Those accounts that are considered neither past due nor impaired are receivables without any default in payments and those accounts wherein the management has assessed that recoverability is high.

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

(c) Liquidity Risk:

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. The Company seeks to maintain a balancing in the maturities of its assets and liabilities so as to secure timely liquidity at the least possible cost.

The majority of financial liabilities are current or carry no maturities. Financial assets are in majority current except loan to the parent company (Note 12).

(d) Market Risk:

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 asset is the loan to the parent company that is subject to fixed interest rate.

Currency Risk:

Currency risk arises from currency fluctuation effects on the monetary assets and liabilities denominated in foreign currencies.

The financial assets and financial liabilities of the Company are mainly in U.S. Dollar and Lebanese Pounds, which reduces the foreign currency risk resulting from the exchange rate fluctuation, since the U.S. Dollar is stable against the Lebanese Pounds since many years.

25. PRIOR YEAR INFORMATION

During 2017, certain prior year information were reclassified to conform with current year presentation. Such reclassifications do not affect previously reported result or equity.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2017 were approved and authorized for issue on May 31, 2018 by the Board of Directors.