

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

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

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## **Independent auditor's report to the shareholders of Société Libanaise des Ciments Blancs S.A.L.**

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

#### **Our opinion**

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

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

The Company's financial statements comprise:

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

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

#### **Independence**

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

## **Independent auditor's report (continued) to the shareholders of Société Libanaise des Ciments Blancs S.A.L.**

### **Our audit approach**

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

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b><i>Capitalisation and useful lives of property, plant and equipment</i></b></p> <p>At 31 December 2016, property, plant and equipment of LL 9.37 billion accounted for 35% of total non-current assets and 25% of total assets overall and included LL 4.33 billion of plant and equipment. We focused on that area on account of the significance of the balance involved as well as the judgement required in the estimation of useful economic lives. In particular, we addressed the risk that the useful economic lives of plant and equipment might not be appropriate.</p> <p>Refer to notes 2.3 and 4 (c) for information on accounting policies and critical accounting estimates and judgements.</p>	<p>On a sample basis, we evaluated and tested controls over the plant and equipment business cycle, performed tests of detail on costs that were capitalised and tested the depreciation calculation by reference to the Company's depreciation policy.</p> <p>We assessed the nature of costs incurred and checked whether they met capitalisation criteria.</p> <p>We assessed whether management's estimations of the useful economic lives of plant and equipment were appropriate based on our knowledge of the business and more generally, the practice in the cement industry globally.</p> <p>We tested the appropriateness of the related disclosures in note 7 to the financial statements.</p>

**Independent auditor's report (continued)  
to the shareholders of Société Libanaise des Ciments Blancs S.A.L.**

**Responsibilities of management and those charged with governance for the financial statements**

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Independent auditor's report (continued)**  
**to the shareholders of Société Libanaise des Ciments Blancs S.A.L.**

**Auditor's responsibilities for the audit of the financial statements (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, 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 engagement partner on the audit resulting in this independent auditor's report is Camille C. Sifri.

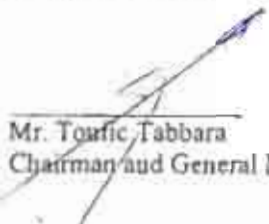



Beirut, Lebanon  
26 May 2017

**Balance sheet  
at 31 December 2016**

	Note	2016 LL'000	2015 LL'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	9,366,085	9,526,239
Loan to a related party	25	17,361,699	16,732,376
		<u>26,727,784</u>	<u>26,258,615</u>
<b>Current assets</b>			
Inventories	10	4,000,459	4,402,721
Trade and other receivables	9	680,125	1,074,279
Cash and cash equivalents	11	5,578,945	5,945,651
		<u>10,259,529</u>	<u>11,422,651</u>
<b>Total assets</b>		<u>36,987,313</u>	<u>37,681,266</u>
<b>Equity</b>			
Share capital	12	13,500,000	13,500,000
Share premium		2,656	2,656
Legal reserve	13	4,500,000	4,135,975
Other reserve	14	4,010,692	4,010,692
Retained earnings		6,574,517	4,471,617
<b>Total equity</b>		<u>28,587,865</u>	<u>26,120,940</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations	15	1,143,011	1,197,775
Provision for risk and charges	16	1,854,225	1,854,225
Deferred tax liability	17	445,632	445,632
		<u>3,442,868</u>	<u>3,497,632</u>
<b>Current liabilities</b>			
Trade and other payables	18	3,935,580	7,237,786
Current income tax liability	17	1,021,000	824,908
		<u>4,956,580</u>	<u>8,062,694</u>
<b>Total liabilities</b>		<u>8,399,448</u>	<u>11,560,326</u>
<b>Total equity and liabilities</b>		<u>36,987,313</u>	<u>37,681,266</u>

The financial statements on pages 5 to 30 were approved for issue by the Board of Directors on 8 May 2017 and were signed on its behalf by:

  
Mr. Toufic Tabbara  
Chairman and General Manager

  
Mr. Markus Herbst  
Chief Financial Officer

The notes on pages 9 to 30 are an integral part of these financial statements.

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

	Note	2016 LL'000	2015 LL'000
<b>Revenue</b>	6	18,400,124	19,256,697
Cost of sales	19	<u>(9,664,664)</u>	<u>(11,822,274)</u>
<b>Gross profit</b>		<b>8,735,460</b>	<b>7,434,423</b>
Distribution costs	19	<u>(1,007,004)</u>	<u>(1,062,768)</u>
Administrative expenses	19	<u>(740,911)</u>	<u>(823,862)</u>
Provision for risk and charges	16	-	<u>(1,307,432)</u>
Other expenses - net		<u>(61,227)</u>	<u>(69,553)</u>
<b>Operating profit</b>		<b>6,926,318</b>	<b>4,170,808</b>
Finance income - net	21	<u>713,321</u>	<u>728,637</u>
<b>Profit before income tax</b>		<b>7,639,639</b>	<b>4,899,445</b>
Income tax expense	17	<u>(1,023,722)</u>	<u>(722,972)</u>
<b>Profit for the year</b>		<b>6,615,917</b>	<b>4,176,473</b>
<i>Other comprehensive income</i> <i>(items that will not be reclassified to profit or loss)</i>			
Remeasurments of post-employment benefit obligations	15	<u>(46,887)</u>	<u>168,741</u>
<b>Total comprehensive income for the year</b>		<b><u>6,569,030</u></b>	<b><u>4,345,214</u></b>
<b>Earnings per share from profit attributable to the equity holders of the Company during the year</b> (expressed in LL per share)	22	<u>735</u>	<u>464</u>



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

	Share capital LL'000	Share premium LL'000	Legal reserve LL'000	Other reserve LL'000	Retained earnings LL'000	Total LL'000
Balance at 1 January 2015	13,500,000	2,656	3,596,356	4,010,692	5,450,234	26,559,938
Profit for the year	-	-	-	-	4,176,473	4,176,473
Other comprehensive income	-	-	-	-	168,741	168,741
Transfer to legal reserve (note 13)	-	-	539,619	-	(539,619)	-
<i>Transactions with owners in their capacity as owners:</i>						
Dividends declared (note 23)	-	-	-	-	(4,784,212)	(4,784,212)
Balance at 1 January 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
Other comprehensive income	-	-	-	-	(46,887)	(46,887)
Transfer to legal reserve (note 13)	-	-	364,025	-	(364,025)	-
<i>Transactions with owners in their capacity as owners:</i>						
Dividends declared (note 23)	-	-	-	-	(4,102,105)	(4,102,105)
<b>Balance at 31 December 2016</b>	<b>13,500,000</b>	<b>2,656</b>	<b>4,500,000</b>	<b>4,010,692</b>	<b>6,574,517</b>	<b>28,587,865</b>

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

	Note	2016 LL'000	2015 LL'000
<b>Cash flows from operating activities</b>			
Profit before income tax		7,639,639	4,899,445
Adjustments for:			
Depreciation charge	7, 19	648,633	546,429
Interest expense	21	71,049	31,860
Interest income	21	(784,370)	(760,497)
Net transfer (from) to retirement benefit obligations	15	(101,651)	85,694
Provision for risk and charges	16	-	1,307,432
(Release) provision for slow moving and obsolete inventories	10, 19	(33,691)	89,713
Changes in working capital:			
Inventories		435,953	(469,510)
Trade and other receivables		394,154	(27,928)
Trade and other payables		(3,621,851)	3,763,154
Cash generated from operations		4,647,865	9,465,792
Interest paid	21	(71,049)	(31,860)
Interest received		155,047	108,353
Income tax paid	17	(827,630)	(846,482)
<b>Net cash generated from operating activities</b>		<b>3,904,233</b>	<b>8,695,803</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(308,637)	(1,528,594)
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(3,962,302)	(4,784,212)
Proceeds from notes receivable		-	287,784
<b>Net cash used in financing activities</b>		<b>(3,962,302)</b>	<b>(4,496,428)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(366,706)</b>	<b>2,670,781</b>
Cash and cash equivalents at beginning of year	11	5,945,651	3,274,870
<b>Cash and cash equivalents at end of year</b>	11	<b>5,578,945</b>	<b>5,945,651</b>

**Principal non-cash transactions:**

The principal non-cash transactions consist mainly of:

- (i) Additions to property, plant and equipment amounting to LL 180 million that have not yet been settled and are still reflected within trade and other payables; and
- (ii) Dividends declared not yet paid amounting to LL 140 million (note 23).

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

### 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 28 June 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 is LafargeHolcim Ltd., the address of its registered office is Zürcherstrasse 156, Jona, Switzerland.

### 2 Summary of significant accounting policies

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

#### 2.1 Basis of preparation

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

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

##### 2.1.1 Changes in accounting policy and disclosures

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

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

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

- IFRS 16, 'Leases' (effective 1 January 2019) will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change. At this stage, the Company does not intend to adopt the standard before its effective date. Management is currently assessing the impact of the new standard on the Company's financial statements.

## 2 Summary of significant accounting policies (continued)

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

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

- IAS 7 'Statement of cash flows', effective as of 1 January 2017, require entities to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. At this stage, the Company does not intend to adopt the standard before its effective date. Management is currently assessing the impact of the new standard on the Company's financial statements.

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

## 2.2 Foreign currency translation

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

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

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

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

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

## 2 Summary of significant accounting policies (continued)

### 2.3 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4).

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

### 2.4 Impairment of non-financial assets

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

## Summary of significant accounting policies (continued)

### 2.5 Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.9 and 2.10).

### 2.6 Offsetting financial instruments

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

### 2.7 Impairment of financial assets

#### *Assets carried at amortised cost*

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

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

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

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

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

### **2.8 Inventories**

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

### **2.9 Trade receivables**

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

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

### **2.10 Cash and cash equivalents**

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

### **2.11 Share capital**

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

### **2.12 Trade payables**

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

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

### **2.13 Current and deferred income tax**

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

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

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

### **2.13 Current and deferred income tax (continued)**

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

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

### **2.14 Retirement benefit obligations**

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

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

### **2.15 Provisions**

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

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

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

### **2.16 Decommissioning and site rehabilitation**

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



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

### **2.17 Revenue recognition**

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

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

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

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

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

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

### **2.18 Interest income**

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

### **2.19 Leases**

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

### **2.20 Dividend distribution**

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

### **2.21 Basic earnings per share**

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

### **2.22 Rounding of amounts**

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

### **2.23 Comparatives**

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

### 3 Financial risk management

#### 3.1 Financial risk factors

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

(a) Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. The Company purchases some of its inventories from its suppliers in Euro whereas most sales are denominated in US Dollar. The Company is therefore exposed to foreign exchange risk with respect to the Euro. During 2016, purchases of inventories in foreign currencies amounted to LL 754 million in Euro. There has been no change in the rate of the foreign exchange between the US Dollar and the Lebanese Pound during the year.

(iii) *Cash flow and fair value interest rate risk*

The Company's income and operating cash flows are substantially independent of changes in the market interest rates. The Company has no significant liabilities that are subject to interest. The Company's major interest bearing assets are current bank deposits and a loan granted to a related party that are subject to variable interest rates.

(ii) *Price risk*

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

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables. The Company deals with well reputable banks. As customers are not independently rated, risk control assesses the credit quality of the customer, taking into account its financial position, past experience letter of guarantees and other factors. The utilisation of credit limits is regularly monitored. Refer to note 8 (b) for further disclosure on credit risk.

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

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk

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

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

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

	2016 LL'000	2015 LL'000
<b>Less than 1 year</b>		
Trade and other payables excluding statutory liabilities (note 18)	<u>2,993,365</u>	<u>6,494,469</u>

#### 3.2 Capital management

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

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

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

#### 3.3 Fair value estimation

The face value less any estimated credit adjustments for the financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

#### 4 Critical accounting estimates and judgements

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

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

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

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

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

Other key assumptions for pension obligations are based in part on current market conditions and on the Company's historical trend. Additional information is disclosed in note 15.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is disclosed in note 15.

##### (b) *Impairment of inventories*

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

- (i) Every year, the Company conducts an analysis of the inventory's ageing to assess any possible impairment; and
- (ii) Management provides annually for slow moving stock on a conservative basis.

Based on the results of the review, a release/provision for slow moving and obsolete inventories of LL 34 million (2015 - LL 90 million) was taken during the year. The provision for slow moving and obsolete inventories at 31 December 2016 amounted to LL 588 million (2015 - LL 621 million).

A change of +/- 10% in obsolescence rates from management's estimates would increase/decrease the provision for slow moving and obsolete inventories by approximately LL 85 million.

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

##### (c) Useful lives of property, plant and equipment

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

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

A change of +/- 10% in useful life from management's estimates would increase / (decrease) the depreciation charge of property plant and equipment by approximately LL 60 / (50) million.

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

#### 5 Segment information

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

#### 6 Revenue

	2016 LL'000	2015 LL'000
Sale of white cement	20,627,691	20,054,192
Discounts	(2,227,567)	(797,495)
	<u>18,400,124</u>	<u>19,256,697</u>

There was a concentration of sales in respect of one major customer who accounts for 33.69 % (2015 - 43.39 %) of total sales for the year. Five other major customers account for 20.21 % (2015 - 18.29 %) of total sales for the year.

## 7 Property, plant and equipment

	Land LL'000	Buildings LL'000	Plant and equipment LL'000	Vehicles LL'000	Office equipment LL'000	Total LL'000
<b>At 1 January 2015</b>						
Cost	4,456,890	6,875,400	19,114,873	321,773	274,393	31,043,329
Accumulated depreciation	-	(6,547,726)	(15,426,444)	(271,437)	(253,648)	(22,499,255)
Net book amount	<u>4,456,890</u>	<u>327,674</u>	<u>3,688,429</u>	<u>50,336</u>	<u>20,745</u>	<u>8,544,074</u>
<b>Year ended 31 December 2015</b>						
Opening net book amount	4,456,890	327,674	3,688,429	50,336	20,745	8,544,074
Additions	-	318,023	1,200,772	9,799	-	1,528,594
Depreciation charge (note 19)	-	(44,044)	(481,566)	(18,616)	(2,203)	(546,429)
Closing net book amount	<u>4,456,890</u>	<u>601,653</u>	<u>4,407,635</u>	<u>41,519</u>	<u>18,542</u>	<u>9,526,239</u>
<b>At 31 December 2015</b>						
Cost	4,456,890	7,193,423	20,315,645	331,572	274,393	32,571,923
Accumulated depreciation	-	(6,591,770)	(15,908,010)	(290,053)	(255,851)	(23,045,684)
Net book amount	<u>4,456,890</u>	<u>601,653</u>	<u>4,407,635</u>	<u>41,519</u>	<u>18,542</u>	<u>9,526,239</u>

## 7 Property, plant and equipment (continued)

	Land LL'000	Buildings LL'000	Plant and equipment LL'000	Vehicles LL'000	Office equipment LL'000	Total LL'000
<b>Year ended 31 December 2016</b>						
Opening net book amount	4,456,890	601,653	4,407,635	41,519	18,542	9,526,239
Additions	-	-	488,479	-	-	488,479
Depreciation charge (note 19)	-	(63,126)	(564,076)	(19,228)	(2,203)	(648,633)
<b>Closing net book amount</b>	<b>4,456,890</b>	<b>538,527</b>	<b>4,332,038</b>	<b>22,291</b>	<b>16,339</b>	<b>9,366,085</b>
<b>At 31 December 2016</b>						
Cost	4,456,890	7,193,423	20,804,124	331,572	274,393	33,060,402
Accumulated depreciation	-	(6,654,896)	(16,472,086)	(309,281)	(258,054)	(23,694,317)
<b>Net book amount</b>	<b>4,456,890</b>	<b>538,527</b>	<b>4,332,038</b>	<b>22,291</b>	<b>16,339</b>	<b>9,366,085</b>

The Company's property, plant and equipment are stated at "deemed cost" which represents the revaluation amount as determined by an independent revaluation carried out in 1997 based on market values at 31 December 1993. The revaluation resulted in an increase in the value of property, plant and equipment of LL 4.46 billion over their carrying amount (note 14).

Depreciation expense of LL 649 million (2015 - 546 billion) has been fully charged in the statement of comprehensive income as part of cost of sales.

**8a Financial instruments by category**

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

	2016 LL'000	2015 LL'000
<b>Assets as per balance sheet</b>		
<b>Loans and receivables</b>		
Trade and other receivables		
excluding prepayments (note 9)	680,125	1,074,279
Cash and cash equivalents (note 11)	5,578,945	5,945,651
	<u>6,259,070</u>	<u>7,019,930</u>
<b>Liabilities as per balance sheet</b>		
<b>Other financial liabilities</b>		
Trade and other payables		
excluding statutory liabilities (note 18)	2,993,365	6,494,469
	<u>2,993,365</u>	<u>6,494,469</u>

**8b Credit quality of financial assets**

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

	2016 LL'000	2015 LL'000
<b>Trade receivables (note 9)</b>		
Counterparties without external credit rating:		
Group 1	-	-
Group 2	100,442	309,678
	<u>100,442</u>	<u>309,678</u>
<b>Cash at bank and short term bank deposits (note 11)</b>		
Cash at banks and short term deposits	5,423,793	5,557,983
	<u>5,423,793</u>	<u>5,557,983</u>

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

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

**9 Trade and other receivables**

	2016 LL'000	2015 LL'000
Trade receivables - net of rebates	97,865	511,433
Provision for impairment of trade receivables	(54,731)	(54,731)
	<u>43,134</u>	<u>456,702</u>
Trade receivables - net	43,134	456,702
Amounts due from a related party (note 25)	346,002	346,002
Advances to suppliers	160,532	205,083
Value-added tax receivable	50,502	5,489
Other receivables	79,955	61,003
	<u>680,125</u>	<u>1,074,279</u>



## 9 Trade and other receivables (continued)

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

At 31 December 2016, trade receivables of LL 580 million (2015 - LL 59 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016 LL'000	2015 LL'000
Up to 3 months	201,636	14,865
Over 3 months	377,926	43,836
	<u>579,562</u>	<u>58,701</u>

At 31 December 2016, trade receivables of LL 54.73 million (2015 - LL 54.73 million) were impaired and provided for.

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

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

## 10 Inventories

	2016 LL'000	2015 LL'000
Spare parts	1,666,088	1,647,314
Work in progress	1,067,876	861,783
Raw materials	862,627	1,322,488
Finished goods - white cement	608,499	639,119
Combustibles	256,874	259,523
Goods in transit	126,160	293,850
	<u>4,588,124</u>	<u>5,024,077</u>
Provision for slow moving and obsolete inventories	(587,665)	(621,356)
<b>Total inventory - net</b>	<u><b>4,000,459</b></u>	<u><b>4,402,721</b></u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to LL 6.60 billion (2015 - LL 8.70 billion).

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

	2016 LL'000	2015 LL'000
At 1 January	621,356	531,643
(Release) provision for the year (note 19)	(33,691)	89,713
<b>At 31 December</b>	<u><b>587,665</b></u>	<u><b>621,356</b></u>

**11 Cash and cash equivalents**

	2016 LL'000	2015 LL'000
Cash at banks	4,821,619	2,542,983
Short-term bank deposit	602,174	3,015,000
Cheques under collection	155,152	387,668
	<u>5,578,945</u>	<u>5,945,651</u>

At 31 December 2016, the Company had a short-term deposit of LL 602 million (2015 - 3.02 billion) at a fixed annual interest rate of 4% (2015 - 4%).

**12 Share capital**

At 31 December 2016, the Company's share capital consists of 9,000,000 fully paid shares with a nominal value of LL 1,500 each. The table below reflects the share capital by category:

	2016 LL'000	2015 LL'000
Nominal shares (3,000,000 shares of LL 1,500 each)	4,500,000	4,500,000
Bearer shares (6,000,000 shares of LL 1,500 each)	9,000,000	9,000,000
	<u>13,500,000</u>	<u>13,500,000</u>

**13 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. At 31 December 2016, legal reserve has reached one third of the Company's share capital.

**14 Other reserve**

Other reserve of LL 4.01 billion represents the amount of the revaluation reserve net of tax of LL 446 million that arose on revaluation of property, plant and equipment in 1997. The revaluation surplus is subject to capital gains tax. Accordingly, a deferred tax liability of LL 446 million is carried in respect of this temporary difference (note 17).

## 15 Retirement benefit obligations

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

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

	2016 LL'000	2015 LL'000
<b>At 1 January</b>	<b>1,197,775</b>	<b>1,280,822</b>
Current service cost	9,380	14,551
Interest expense	61,645	71,143
<b>Total amount recognised in profit or loss</b>	<b>71,025</b>	<b>85,694</b>
<i>Remeasurements</i>		
(Gain) loss from change in financial assumption	-	(56,784)
Experience (gains) losses	46,887	(111,957)
<b>Total amount recognised in other comprehensive income</b>	<b>46,887</b>	<b>(168,741)</b>
Benefit payments during the year	(172,676)	-
<b>At 31 December</b>	<b>1,143,011</b>	<b>1,197,775</b>

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

The significant actuarial assumptions were as follows:

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

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

**16 Provision for risk and charges**

	2016 LL'000	2015 LL'000
Environmental restoration	45,225	45,225
Legal claims	1,809,000	1,809,000
	<u>1,854,225</u>	<u>1,854,225</u>

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

	Environmental LL'000	Legal claims LL'000	Total LL'000
At 1 January 2015	45,225	501,568	546,793
Provision for the year 2015	-	1,307,432	1,307,432
	<u>45,225</u>	<u>1,809,000</u>	<u>1,854,225</u>

*(i) Environmental restoration*

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

*(ii) Legal claims*

The provision of LL 1.81 billion comprises LL 1.2 billion relating to litigation involving a previous employee who was made redundant where the Court decision was made in favour of the employee and which is being appealed by the Company. The balance of LL 0.6 billion relates to sundry contingencies.

**17 Income tax expense**

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

	2016 LL'000	2015 LL'000
Profit before income tax	7,639,639	4,899,444
Income tax expenses at statutory rate of 15%	1,145,946	734,917
Effect of expenses not deductible for tax purposes:		
Provision for slow moving and obsolete inventories	-	13,457
Provision for risk and charges	-	196,115
Taxes	10,131	9,810
Effect of revenue not taxable for tax purposes:		
Write-back of depreciation on property, plant and equipment	(21,600)	(21,600)
Interest income from loan to a related party	(103,838)	(107,604)
Other income	(6,917)	(185)
Tax charge for the year	1,023,722	824,910
Adjustment in respect of prior years' tax	-	(101,938)
<b>Total current income tax expense</b>	<u>1,023,722</u>	<u>722,972</u>

**17 Income tax expense (continued)**

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

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

Movement in the current income tax liability is as follows:

	2016 LL'000	2015 LL'000
Balance brought forward	824,908	948,418
Provision for the year	1,023,722	722,972
Payments during the year	(827,630)	(846,482)
<b>At 31 December</b>	<b>1,021,000</b>	<b>824,908</b>

The deferred tax liability of LL 446 million relates mainly to the capital gains tax applicable to the revaluation surplus.

**18 Trade and other payables**

	2016 LL'000	2015 LL'000
Trade payables	1,412,085	2,164,736
Amounts due to related parties (note 25)	870,501	3,375,299
Accrued expenses	185,796	447,570
Dividends payable (note 23)	524,983	506,864
Advances from customers	812,088	665,616
Due to National Social Security Funds	130,127	77,701
	<b>3,935,580</b>	<b>7,237,786</b>

**19 Expenses by nature**

Combustibles	2,470,569	4,084,100
Raw materials	2,145,262	2,328,574
Employee benefit expenses (note 20)	1,785,646	1,998,594
Spare parts, consumables and maintenance expense	1,327,864	1,725,863
Energy consumption	1,128,046	1,126,956
Technical assistance (note 25)	736,019	770,299
Depreciation charge (note 7)	648,633	546,429
Packing materials	521,936	579,103
Contractual employees	328,438	329,859
Other third party services	158,091	-
Other taxes	66,700	66,799
Changes in inventories of finished goods and work in progress (Release) provision for slow moving and obsolete inventories (note 10)	(139,353)	(343,809)
Other expenses - net	(33,691)	89,713
	268,419	406,424
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>11,412,579</b>	<b>13,708,904</b>

**20 Employee benefit expenses**

	2016 LL'000	2015 LL'000
Employee benefit expenses include the following:		
Salaries and wages	988,817	1,100,391
Costs recharged from a related party (note 25)	367,883	351,670
Social security contributions	290,263	383,196
Other benefits	138,683	163,337
	<u>1,785,646</u>	<u>1,998,594</u>

Salaries and wages of LL 989 million (2015 - 1.10 billion) have been charged in the statement of comprehensive income as part of the following captions:

- (i) Cost of sales: LL 952 million (2015 - 1.1 billion); and
- (ii) Administrative expenses: LL 37 million (2015 - 38 million).

**21 Finance income - net**

	2016 LL'000	2015 LL'000
<i>Finance income:</i>		
Interest income on a loan granted to a related party (note 25)	692,256	717,357
Interest income on bank deposits	92,114	24,663
Interest income on notes receivable	-	18,477
	<u>784,370</u>	<u>760,497</u>
<i>Finance costs:</i>		
Other charges	71,049	31,860
<b>Finance income - net</b>	<u>713,321</u>	<u>728,637</u>

**22 Earnings per share**

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

	2016	2015
Profit attributable to equity holders of the Company (LL'000)	6,615,917	4,176,473
Weighted average number of ordinary shares in issue	9,000,000	9,000,000
Basic earnings per share (LL per share)	<u>735</u>	<u>464</u>

### 23 Dividends per share

A General Assembly meeting held on 22 June 2016 took the resolution to distribute dividends of LL 4.1 billion (LL 455 per share) on account of the financial year 2015.

A General Assembly meeting held on 18 June 2015 took the resolution to distribute dividends of LL 4.8 billion (LL 532 per share) on account of the financial year 2014.

An amount of LL 525 million (2015 - LL 507 million) was outstanding at the balance sheet date as dividends payable (note 18). The dividends relate to the following years:

- (i) An amount of LL 140 million relates to the dividends distribution in 2016;
- (ii) An amount of LL 123 million relates to the dividends distribution in 2015;
- (iii) An amount of LL 113 million relates to the dividends distribution in 2014;
- (iv) An amount of LL 77 million relates to the dividends distribution in 2013; and
- (v) An amount of LL 72 million relates to the dividends distribution in 2012.

### 24 Capital commitments

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

	2016 LL'000	2015 LL'000
Property, plant and equipment	-	-

### 25 Related-party transactions

The Company is controlled by its parent company, Holcim (Liban) S.A.L., which owns 65.99% of the Company's shares. In addition to the parent company, related parties comprise the Company's directors, shareholders, and other companies under common control. The Company maintains significant balances with these related parties that arise from operating and financing transactions as follows:

	2016 LL'000	2015 LL'000
<b>(a) Transactions with related parties</b>		
<i>(i) Sales of goods:</i>		
Holcim (Liban) S.A.L. - parent	-	361,476
<i>(ii) Purchase of goods:</i>		
Holcim (Liban) S.A.L. - parent	(2,690,380)	(5,044,843)

**25 Related-party transactions (continued)****(a) Transactions with related parties (continued)**

	2016 LL'000	2015 LL'000
<i>(iii) Purchase of services:</i>		
Holcim (Liban) S.A.L. - parent	<u>(608,970)</u>	<u>(592,378)</u>
<i>(iv) Interest income on borrowings:</i>		
Holcim (Liban) S.A.L. - parent	<u>692,256</u>	<u>717,357</u>
<i>(v) Other transactions with related parties:</i>		
Technical assistance paid to Holcim (Liban) S.A.L. - parent	736,019	770,299
Recharged costs from a related party (note 20)	<u>367,883</u>	<u>351,670</u>
	<u><u>1,103,902</u></u>	<u><u>1,121,969</u></u>

The above related party transactions were carried out on commercial terms and conditions.

**(b) Outstanding balances with related parties**

	2016 LL'000	2015 LL'000
<i>(i) Amount due from a related party (note 9):</i>		
Holcim Beton S.A.L. - fellow subsidiary	<u>346,002</u>	<u>346,002</u>
<i>(ii) Amounts due to related parties (note 18):</i>		
Holcim (Liban) S.A.L. - parent	857,494	3,362,292
Société Carriere de Jieh S.A.R.L. - other related party	<u>13,007</u>	<u>13,007</u>
	<u><u>870,501</u></u>	<u><u>3,375,299</u></u>

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

	2016 LL'000	2015 LL'000
<i>(iii) Loan to a related party:</i>		
Holcim (Liban) S.A.L. - parent	12,060,000	12,060,000
Accrued interest receivable	<u>5,301,699</u>	<u>4,672,376</u>
	<u><u>17,361,699</u></u>	<u><u>16,732,376</u></u>

The Company has no intention to demand repayment of this loan for at least 12 months from the balance sheet date and, accordingly, it was classified as non-current. The loan was subject to an effective interest rate of 3.7% during the year (2015 - 4%).