SOCIETE LIBANAISE DES
CIMENTS BLANCS S.A.L.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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, 2018. We have determined that there are no key audit matters to communicate in our audit report.

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
April 24, 2019

Deloitte & Touche

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

		December 31,	
ASSETS	Notes	2018	2017
		LBP'000	LBP'000
Current Assets:			
Cash and cash equivalents	5	1,672,646	5,236,466
Accounts receivable	6	7,789,081	7,347,127
Inventories	7	6,157,452	5,127,595
Other assets	8	207,013	261,963
Total current assets		15,826,192	17,973,151
Non-Current Assets:			
Property and equipment	9	10,340,097	9,564,403
Loan to the parent company	12	12,060,000	12,060,000
Total non-current assets		22,400,097	21,624,403
Total Assets		38,226,289	39,597,554
LIABILITIES			
Current Liabilities:			
Due to banks		31,093	-
Accounts payable	10	2,636,662	4,458,256
Accrued expenses and other liabilities	11	1,208,573	1,521,807
Current income tax liability	15	1,324,652	1,214,375
Deferred income		204,942	167,822
Provision for risk and charges	13	250,000	-
Total current liabilities		5,655,922	7,362,260
Non-Current Liabilities:			
Provision for risk and charges	13	45,225	1,854,226
Retirement benefit obligations	14	1,082,268	1,240,931
Deferred tax liability	15	445,632	445,632
Total non-current liabilities		1,573,125	3,540,789
Total Liabilities		7,229,047	10,903,049
EQUITY			
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	8,983,894	6,681,157
Total Equity		30,997,242	28,694,505
Total Liabilities and Equity		38,226,289	39,597,554

The accompanying financial statements were approved for issue by the Board of Directors on April 24, 2019 and were signed on its behalf by:

Mr. Jamil Bou Haroun
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

	Notes	Year Ended December 31, 2018 LBP'000	2017 LBP'000
Net sales	19	19,807,123	20,275,946
Cost of sales	20	(10,177,447)	(10,911,736)
Gross profit		9,629,676	9,364,210
Distribution expenses	20	(1,067,880)	(913,630)
General and administrative expenses	20	(1,049,651)	(988,754)
Write-back/(provision) for obsolete inventory	7	11,283	(160,710)
Write-back of provision for risk and charges, net	13	1,559,001	-
Finance income, net	21	967,168	620,110
Net foreign exchange gain/(loss)		83	(6,227)
		420,004	(1,449,211)
Profit before income tax		10,049,680	7,914,999
Income tax expense	15	(1,324,652)	(1,214,055)
Profit for the year		8,725,028	6,700,944
Other comprehensive income/(loss) for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations	14	237,709	(24,304)
Total other comprehensive income/(loss) for the year		237,709	(24,304)
Total comprehensive income for the year		8,962,737	6,676,640
Profit for the year (LBP'000)		8,725,028	6,700,944
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)		969	745

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

	Capital LBP'000	Share Premium LBP'000	Legal Reserve LBP'000	Other Reserve LBP'000	Retained Earnings LBP'000	Total LBP'000
Balance at January 1, 2017	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
Remeasurement of defined benefit obligations	-	-	-	-	(24,304)	(24,304)
Dividend declared (Note 18)	-	-	-	-	(6,570,000)	(6,570,000)
Balance at December 31, 2017	13,500,000	2,656	4,500,000	4,010,692	6,681,157	28,694,505
Profit for the year	-	-	-	-	8,725,028	8,725,028
Remeasurement of defined benefit obligations	-	-	-	-	237,709	237,709
Dividend declared (Note 18)	-	-	-	-	(6,660,000)	(6,660,000)
Balance at December 31, 2018	13,500,000	2,656	4,500,000	4,010,692	8,983,894	30,997,242

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

	Notes	Year Ended December 31, 2018 LBP'000	2017 LBP'000
Cash flows from operating activities			
Profit for the year		8,725,028	6,700,944
Adjustments for:			
Depreciation	9	709,975	669,345
Provision for income tax expense	15	1,324,652	1,214,055
Provision for retirement benefit obligations	14	79,046	73,616
Write-back of provision for risk and charges, net		(1,559,001)	-
(Write-back of provision)/provision for obsolete inventory	7	(11,283)	160,710
Operating cash flows from changes in working capital		9,268,417	8,818,670
Increase in inventories		(1,018,574)	(1,287,846)
Increase in trade receivables		(29,580)	(385,720)
Decrease in other assets		54,950	29,026
(Decrease)/increase in trade payables		(1,821,594)	320,929
Decrease in accrued expenses and other liabilities		(338,123)	(286,822)
Net change in related parties balances		(412,374)	1,221,038
Increase/(decrease) in deferred income		37,120	(261,839)
Income tax paid	15	(1,214,375)	(1,020,680)
Net cash generated from operating activities		4,525,867	7,146,756
Cash flows from investing activities			
Acquisition of property and equipment	9	(1,485,669)	(867,663)
Net cash used in investing activities		(1,485,669)	(867,663)
Cash flows from financing activities			
Increase in due to banks	22	31,093	-
Dividends paid to shareholders	18	(6,635,111)	(6,621,572)
Net cash used in financing activities		(6,604,018)	(6,621,572)
Net decrease in cash and cash equivalents		(3,563,820)	(342,479)
Cash and cash equivalents - Beginning of year		5,236,466	5,578,945
Cash and cash equivalents - End of year	5	1,672,646	5,236,466

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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 that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2018, have been adopted in these financial statements. The application of these revised IFRSs, has had no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2.1.1 IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The Company has applied IFRS 9 retrospectively in accordance with the transition provisions set out in IFRS 9 which allow an entity not to restate comparatives. Accordingly, the changes in measurement arising on initial application were incorporated through an adjustment to opening retained earnings as at January 1, 2018. Additionally, the Company adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

The new standard, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*, 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**: In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- **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.

The Management reviewed and assessed the Company's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no impact on the Company's financial assets:

a) *Classification and measurement:*

Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

b) *Impairment:*

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Items existing as at January 1, 2018 that are subject to the impairment provisions of IFRS 9 are:

- Cash at banks: The Company applied the general approach to recognize expected credit losses.

- Accounts receivable: The Company applied the simplified approach to recognize lifetime expected credit losses for its accounts receivable as required by IFRS 9.

c) <u>*Hedge accounting*</u>:

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Company for the current year.

d) <u>*Disclosures:*</u>

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Company's exposure to credit risk in the financial statements.

e) <u>*Transition:*</u>

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at January 1, 2018.

2.1.2 IFRS 15 Revenue from Contracts with Customers

In the current year, the Company applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for annual periods beginning on or after January 1, 2018. IFRS 15 superseded the previous revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

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: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue 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. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment

Based on analysis of the Company's revenue from contracts with customers for the year ended December 31, 2017, Management of the Company determined that the application of IFRS 15 had no impact on the financial statements.

2.1.3 Amendments to IAS 40 Investment Property:

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

2.1.4 IFRIC 22 Foreign Currency Transactions and Advance Consideration:

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes 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.

2.1.5 Other IFRSs and amendments

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.
- Amendments to IAS 28 *Investments in Associates and Joint Ventures.*
- Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.
- Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

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:

New and revised IFRSs	Effective for Annual Periods Beginning on or After
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
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 amortized 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
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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.	January 1, 2019
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
IFRIC 23 Uncertainty over Income Tax Treatments 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: • 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 References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	January 1, 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	January 1, 2020
IFRS 17 Insurance Contracts 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 1 January 2021.	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.

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:

	Rate
	%
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 recognition upon adoption of IFRS 15 - applicable from January 1, 2018

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. Revenue is reflected in the statement of profit or loss net of estimated customers returns, rebates and other similar allowances.

The Company recognizes revenue when it transfers control of a product or service to a customer. Control is transferred when the product is delivered to the customer at a point in time depending on the terms of the contract.

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

Revenue recognition under IAS 18 – applicable before January 1, 2018

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

<u>*Recognition and Derecognition*</u>

Financial assets and financial liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Measurement

Financial assets and financial liabilities are initially measured at fair value. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method.

Classification of financial assets

Accounts receivable that were classified as loans and receivables under IAS 39 and thus measured at amortized cost in prior year continue to be measured at amortized cost under IFRS 9 in the current year as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets upon adoption of IFRS 9 – applicable from January 1, 2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company always applies the simplified approach and recognizes lifetime ECL for accounts receivable. The expected credit losses on these financial assets are estimated using a loss rate approach based on the Company's historical credit loss experience adjusted for current conditions and forecasts for future conditions.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

Definition of default

The Company considers that default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full, or a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when there is an objective evidence that one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Impairment of financial assets under IAS 39 – applicable before January 1, 2018

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.

Offsetting

Financial assets and financial liabilities are offset 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.

Fair Value Measurement of Financial Instruments

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

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

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

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

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. Cash and Cash Equivalents:

Cash and cash equivalents comprise unrestricted cash on hand and demand deposits and other short term deposits with original maturity period not exceeding three months.

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.

Impairment for accounts receivable

Calculation of expected credit losses is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The assessment of historical default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

	December 31,	
	2018	2017
	LBP'000	LBP'000
Banks' current accounts	1,507,199	5,081,171
Cheques under collection	165,447	155,295
	1,672,646	5,236,466

Banks' current accounts are segregated into the following currencies:

	December 31,	
	2018	2017
	LBP'000	LBP'000
Lebanese Pounds	686,371	1,613,350
U.S. Dollar	820,828	3,467,821
	1,507,199	5,081,171

Current accounts at banks do not earn interest.

6. ACCOUNTS RECEIVABLE

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Trade receivables	1,150,035	1,120,455
Due from related parties (Note 12)	6,693,777	6,281,403
Less: Allowance for credit loss	(54,731)	(54,731)
	7,789,081	7,347,127

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

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

	December 31, 2018		
	Balance LBP'000	Number of Clients	Percentage %
Between LBP200million and LBP300million	233,389	1	20
Between LBP100million and LBP200million	259,929	2	23
Between LBP50million and LBP100million	112,022	2	10
Between LBP10million and LBP50million	274,038	12	24
Below LBP10million	14,336	27	1
Checks under collection	256,321	-	22
	1,150,035	44	100

	December 31, 2017		
	Balance LBP'000	Number of Clients	Percentage %
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	354,221	-	32
	1,120,455	32	100

The aging of trade receivables as at December 31, 2018 and 2017 is detailed as follows:

	December 31,	
	2018	2017
	LBP'000	LBP'000
Not due	206,317	212,230
Up to 3 months	145,458	22,607
Over 3 months	541,939	531,397
Checks under collection - current	256,321	354,221
	1,150,035	1,120,455

The credit limit granted to customers is between 30 days and 90 days. No interest is charged on past due trade receivables.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the "loss rate" approach based on the Company's historical credit loss experience adjusted for current conditions and forecasts for future conditions.

Trade receivables include amounts that are past due at the end of the reporting period but against which the Company has not recognized an allowance for credit losses because there has not been a significant change in credit quality and the amounts are still considered recoverable.

7. INVENTORIES

	December 31,	
	2018	2017
	LBP'000	LBP'000
Raw materials and combustibles	1,493,091	1,801,584
Spare parts	1,380,654	1,697,544
Finished goods – white cement	643,843	658,087
Work in progress	3,292,589	1,536,840
	6,810,177	5,694,055
Goods in transit	-	97,548
Less: Provision for obsolete inventory	(652,725)	(664,008)
	6,157,452	5,127,595

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

	2018	2017
	LBP'000	LBP'000
Balance at January 1	664,008	587,665
(Write-back)/additions	(11,283)	160,710
Write-offs	-	(84,367)
Balance at December 31	652,725	664,008

8. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2018	2017
	LBP'000	LBP'000
Advances to suppliers	55,367	124,418
Value added tax receivable	67,943	63,115
Other receivables	83,703	74,430
	207,013	261,963

9. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Land	Buildings	Installations and Equipment	Vehicles	Furniture and Fixtures	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cost:						
Balance - January 1, 2017	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
Additions	-	-	1,485,669	-	-	1,485,669
Balance - December 31, 2018	4,456,890	7,193,423	23,157,456	331,572	274,393	35,413,734
Accumulated Depreciation:						
Balance - January 1, 2017	-	(6,654,896)	(16,472,086)	(309,281)	(258,054)	(23,694,317)
Charge for the year (Note 20)	-	(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)
Charge for the year (Note 20)	-	(62,147)	(643,175)	(2,450)	(2,203)	(709,975)
Balance - December 31, 2018	-	(6,780,169)	(17,700,049)	(330,959)	(262,460)	(25,073,637)
Net Book Value:						
December 31, 2018	4,456,890	413,254	5,457,407	613	11,933	10,340,097
December 31, 2017	4,456,890	475,401	4,614,913	3,063	14,136	9,564,403

10. ACCOUNTS PAYABLE

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Trade payables	2,373,786	1,733,014
Due to related parties (Note 12)	262,876	2,725,242
	2,636,662	4,458,256

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, 2018 LBP'000	December 31, 2017 LBP'000
Accrued rebates	275,202	460,186
Other accrued expenses	345,586	320,328
Dividend payable (Note 18)	498,300	473,411
Advances from customers	7,870	164,920
Taxes withheld on salaries	69,037	79,513
Social security dues	12,578	23,449
	1,208,573	1,521,807

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:

	December 31, 2018		December 31, 2017	
	Due From LBP'000	Due To LBP'000	Due From LBP'000	Due To LBP'000
Current:				
Holcim Liban S.A.L. – Parent Company	6,347,773	249,869	5,935,401	2,712,235
Holcim Beton S.A.L. – Fellow subsidiary	346,004	-	346,002	-
Societe Carriere de Jieh S.A.R.L. Other related party	-	13,007	-	13,007
	6,693,777	262,876	6,281,403	2,725,242

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:

	2018 LBP'000	2017 LBP'000
Dividend distribution	3,955,685	4,119,020
Sales of goods	-	348,589
Sales of clinker (Note 19)	-	1,130,954
Purchase of goods	3,537,287	3,485,098
Purchase of services	425,817	611,092
Interest income on loan (Note 21)	994,609	697,072
Technical assistance (Note 20)	790,307	751,857
Recharged costs from a related party (Note 20)	593,324	479,646

In addition, the Company purchased during the year goods from Lafarge Holcim Trading Ltd in the amount of LBP586million (LBP1.5billion during 2017).

	December 31,	
	2018 LBP'000	2017 LBP'000
Loan to the Parent Company:		
Holcim Liban S.A.L.	12,060,000	12,060,000
Accrued interest receivable	6,347,773	5,935,401
	18,407,773	17,995,401

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 5% starting April 1, 2018 (3.6% in 2017). Accrued interest receivable was classified as current.

Interest income for the year amounted to LBP995million (LBP697million during 2017) and was recorded under "Finance income, net" in the statement of profit or loss (Note 21).

13. PROVISION FOR RISK AND CHARGES

Provision for risk and charges is split as follows:

	December 31, 2018	December 31, 2017
	LBP'000	LBP'000
Current:		
Others (a)	250,000	-
	250,000	-
Non-current:		
Legal claims (b)	-	1,809,001
Others	45,225	45,225
	45,225	1,854,226
	295,225	1,854,226

The movement of the provision for risk and charges is as follows:

	2018 Legal claims	2018 Others	2018 Total
	LBP'000	LBP'000	LBP'000
Balance at January 1	1,809,001	45,225	1,854,226
Additions	-	250,000	250,000
Write-back	(1,809,001)	-	(1,809,001)
Balance at December 31	-	295,225	295,225

(a) During 2018, the Company's records were subject to review by the income tax department in respect of the fiscal years 2013 to 2015. The final tax assessment amounted to LBP243million paid during February 2019. A provision of LBP250million was accrued for as at December 31, 2018 to cover for such an exposure against "Other taxes" under cost of sales for the year ended December 31, 2018 (Note 20).

(b) Legal claims provision as at December 31, 2017 related to litigation involving a previous employee requesting additional indemnity recorded in prior years. During 2018, a final court decision was made in favor of the Company. Accordingly, an amount of LBP1.8billion was written-back and recorded under the statement of profit and loss.

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:

	2018 LBP'000	2017 LBP'000
Balance at January1	1,240,931	1,143,011
Current service cost	67,909	10,190
Interest expense	11,137	63,426
Total amount recognized in profit or loss	79,046	73,616
Remeasurements:		
Actuarial changes arising from changes in assumptions	(20,282)	-
Experience (gains)/losses	(217,427)	24,304
Total amount recognized in other comprehensive (income)/loss	(237,709)	24,304
Benefit payments during the year	-	-
Balance at December 31	1,082,268	1,240,931

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, 2018, 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:

	2018	2017
Discount rate	5.3%	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 35 years of contribution	Earliest of 64 or completion of 20 years of contribution

15. INCOME TAX EXPENSE

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

	2018 LBP'000	2017 LBP'000
Profit before tax	10,049,680	7,914,999
Income tax expense at statutory rate of 17% in 2018 (15.64% in 2017)	1,708,446	1,238,563
Effect of expense not deductible for tax purposes:		
Provision for risk and charges	42,500	-
Provision for obsolete inventory	482	25,148
Provision for rebates	-	72,033
Taxes	15,895	9,947
Effect of revenue not taxable for tax purposes:		
Write-back of depreciation on property and equipment	-	(22,534)
Write-back for provision for risk and charges	(222,263)	-
Write-back of provision for rebates	(31,447)	-
Interest income from loan to a related party	(169,084)	(109,072)
Other income	(19,877)	(30)
Total current income tax expense	1,324,652	1,214,055

The Company's tax returns for the years 2016 to 2018 and VAT declarations for the years 2014 to 2018 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:

	2018 LBP'000	2017 LBP'000
Balance brought forward	1,214,375	1,021,000
Provision for the year	1,324,652	1,214,055
Payments during the year	(1,214,375)	(1,020,680)
	1,324,652	1,214,375

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, 2018 and 2017, 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 July 10, 2018, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP6.7billion (LBP740 per share).

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

An amount of LBP498million is outstanding as dividend payable as at December 31, 2018 (LBP473million as at December 31, 2017).

19. NET SALES

	Year Ended December 31,	
	2018	2017
	LBP'000	LBP'000
White cement	20,109,223	20,129,057
Clinker (Note 12)	-	1,130,954
Discounts	(302,100)	(984,065)
	19,807,123	20,275,946

There was a concentration of sales in respect of four major customers who account for 37% (2017: 4 major customers account for 38%) of total sales for the year.

20. EXPENSES BY NATURE

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

	2018			
	Cost of Sales	Distribution Expenses	General and Administrative Expenses	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Combustibles	3,460,849	-	-	3,460,849
Raw materials	2,295,281	33,567	-	2,328,848
Salaries and related charges	1,899,262	190,433	57,644	2,147,339
Spare parts, consumables and maintenance expenses	1,333,182	158,725	-	1,491,907
Energy consumption	1,193,210	4,757	-	1,197,967
Technical assistance (Note 12)	-	-	790,307	790,307
Depreciation charge (Note 9)	709,975	-	-	709,975
Packing materials	-	540,102	-	540,102
Contractual employees	281,414	101,099	-	382,513
Other third party services	984	32,000	-	32,984
Other taxes (Note 13)	564,929	-	-	564,929
Changes in inventories of finished goods and work in progress	(1,741,504)	-	-	(1,741,504)
Other expenses	179,865	7,197	201,700	388,762
	10,177,447	1,067,880	1,049,651	12,294,978

	2017			
	Cost of Sales	Distribution Expenses	General and Administrative Expenses	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Combustibles	3,402,170	-	-	3,402,170
Raw materials	2,491,060	18,030	-	2,509,090
Salaries and related charges	1,776,315	164,694	55,681	1,996,690
Spare parts, consumables and maintenance expenses	1,107,219	123,537	-	1,230,756
Energy consumption	1,317,418	7,320	-	1,324,738
Technical assistance (Note 12)	-	-	751,857	751,857
Depreciation charge (Note 9)	669,345	-	-	669,345
Packing materials	-	478,239	-	478,239
Contractual employees	291,849	111,498	-	403,347
Other third party services	40,689	2,788	-	43,477
Other taxes	159,698	-	-	159,698
Changes in inventories of finished goods and work in progress	(518,551)	-	-	(518,551)
Other expenses	174,524	7,524	181,216	363,264
	10,911,736	913,630	988,754	12,814,120

Salaries and related charges consist of the following:

	Year Ended December 31, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Salaries	1,060,047	1,026,265
Costs recharged from a related party (Note 12)	593,324	479,646
Transportation	49,928	49,064
National social security contributions	169,489	169,764
Other benefits	274,551	271,951
	2,147,339	1,996,690

21. FINANCE INCOME – NET

	Year Ended December 31, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Interest income on a loan granted to the Parent Company (Note 12)	994,609	697,072
Interest income on bank deposits	61,254	3,851
Other charges	(88,695)	(80,813)
	967,168	620,110

22. STATEMENT OF CASH FLOWS

The following non-cash transaction was excluded from the statement of cash flows during 2018:

- Dividends declared not yet paid amounting to LBP24million.

Liabilities arising from financing liabilities for the year ended December 31, 2018 and 2017 relates all to due to banks and are cash changes.

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 2018 and 2017. Equity comprises capital, share premium, reserves and retained earnings, and is measured at LBP31billion as at December 31, 2018 (2017: LBP28.7billion).

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 five customers represent 53% of total trade receivables as at December 31, 2018 (three customers represent 47% as at December 31, 2017).

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. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2018 were approved and authorized for issue on April 24, 2019 by the Board of Directors.