

**SOCIETE LIBANAISE DES
CIMENTS BLANCS SAL**

FINANCIAL STATEMENTS

31 DECEMBER 2023

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

Adverse Opinion

We have audited the financial statements of Société Libanaise des Ciments Blancs SAL (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion" section of our report, the accompanying financial statements do not present fairly the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

1. As disclosed in note 2.1 to the financial statements, the Company did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the accompanying financial statements for the year ended 31 December 2023 nor did the Company consider its effects on forecasts and discount rates used in accounting estimates. Had the Company applied IAS 29 and considered its effects on accounting estimates, many elements and disclosures in the accompanying financial statements, including the comparative financial information for the year ended 31 December 2022, would have been materially different. The effects on the financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2022 was modified for same reasons.
2. The Company translated assets and liabilities denominated in foreign currencies as at 31 December 2023, and transactions in foreign currencies that occurred during the year then ended, using the exchange rates disclosed in note 2.2 to the financial statements. Accordingly, the Company did not use an appropriate exchange rate for the translation of foreign currency transactions and did not re-translate all monetary assets and liabilities stated in foreign currencies at the appropriate exchange rate at the reporting date, which constitutes a departure from IAS 21. Had the Company applied the requirements of IAS 21, many of the elements of the accompanying financial statements, including disclosures would have been materially impacted. The effects on the financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2022 was modified for same reasons.
3. The Company has foreign currencies bank balances in Lebanon amounting to LL (000) 64,991,790 as at 31 December 2023. It is not possible to determine the future effects that the restructuring plan and the economic crisis could have on the expected credit losses and thus the carrying amount of these assets. The accompanying financial statements do not include adjustments that could result from the resolution of these uncertainties. Our opinion for the year ended 31 December 2022 was modified for same reasons.

Basis for Adverse Opinion (continued)

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 adverse opinion.

Emphasis of a Matter

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2023. Except for the matters described in the "Basis for Adverse Opinion" section of our report, we have determined that there are no other key audit matters to communicate in our report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 scepticism throughout the audit. We also:

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

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.

Auditor 's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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



Ernst & Young

14 May 2024
Beirut, Lebanon

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 LL (000)	2022 LL (000)
Sales	3	511,171,997	151,638,543
Cost of sales	4	(285,643,129)	(109,209,057)
GROSS PROFIT		225,528,868	42,429,486
Distribution expenses	4	(27,096,834)	(7,785,834)
General and administrative expenses	4	(26,803,311)	(7,257,337)
(Provision) write-back of provision for slow moving and obsolete inventory	8	(376,814)	20,792
Interest income on loan to a shareholder	7	3,127,309	431,927
Finance charges, net		(2,249,321)	(328,210)
Net gain on exchange		110,051,966	11,454,387
PROFIT BEFORE INCOME TAX		282,181,863	38,965,211
Income tax expense	5	(47,578,116)	(6,564,951)
PROFIT FOR THE YEAR		234,603,747	32,400,260
Other comprehensive income for the year:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit obligations	14	(11,574,161)	(307,202)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		223,029,586	32,093,058
Profit for the year		234,603,747	32,400,260
Number of ordinary shares in issue		9,000,000	9,000,000
Earnings per share from profit attributable to the equity holders of the Company during the year in LL		26,067	3,600

The attached notes 1 to 19 form part of these financial statements.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 LL (000)	2022 LL (000)
ASSETS			
Non-current assets			
Property and equipment	6	72,578,656	32,343,359
Loan to the parent company	7	-	12,060,000
Total non-current assets		72,578,656	44,403,359
Current assets			
Loan to the parent company	7	120,000,000	-
Inventories	8	241,292,516	113,635,114
Other assets	9	14,421,568	9,700,670
Accounts receivable	10	525,309	367,399
Bank balances	11	76,822,940	14,793,186
Total current assets		453,062,333	138,496,369
TOTAL ASSETS		525,640,989	182,899,728
EQUITY AND LIABILITIES			
Equity			
Capital	12	13,500,000	13,500,000
Share premium		2,656	2,656
Legal reserve	13	4,500,000	4,500,000
Other reserve	13	4,010,692	4,010,692
Re-measurement of defined benefit obligations	14	(12,507,494)	(933,333)
Retained earnings		287,975,500	53,371,753
Total equity		297,481,354	74,451,768
Non-current liabilities			
Provision for risk and charges		45,225	45,225
Employees' end of service benefits	14	12,978,028	1,676,083
Deferred tax liability	5 (b)	445,632	445,632
Total non-current liabilities		13,468,885	2,166,940
Current liabilities			
Accounts payable	15	97,416,800	95,979,397
Accrued expenses and other liabilities	16	69,673,373	3,654,196
Current income tax liability	5 (a)	47,600,577	6,647,427
Total current liabilities		214,690,750	106,281,020
Total liabilities		228,159,635	108,447,960
TOTAL EQUITY AND LIABILITIES		525,640,989	182,899,728

The accompanying financial statements were approved for issue by the Board of Directors on 26 April 2024 and were signed on its behalf by



Jamil Bou Haroun
Chief Executive Officer



Mario Dib
Chief Financial Officer

The attached notes 1 to 19 form part of these financial statements.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<i>Capital LL (000)</i>	<i>Share premium LL (000)</i>	<i>Legal reserve LL (000)</i>	<i>Other reserve LL (000)</i>	<i>Re-measurement of defined benefit obligations LL (000)</i>	<i>Retained earnings LL (000)</i>	<i>Total LL (000)</i>
Balance at 1 January 2022	13,500,000	2,656	4,500,000	4,010,692	(626,131)	20,971,493	42,358,710
Total comprehensive income for the year	-	-	-	-	(307,202)	32,400,260	32,093,058
Balance at 31 December 2022	13,500,000	2,656	4,500,000	4,010,692	(933,333)	53,371,753	74,451,768
Total comprehensive income for the year	-	-	-	-	(11,574,161)	234,603,747	223,029,586
Balance at 31 December 2023	13,500,000	2,656	4,500,000	4,010,692	(12,507,494)	287,975,500	297,481,354

The attached notes 1 to 19 form part of these financial statements.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>LL (000)</i>	<i>2022</i> <i>LL (000)</i>
OPERATING ACTIVITIES		282,181,863	38,965,211
Profit for the year before income tax			
Adjustments for:			
Depreciation	6	2,663,304	1,309,890
Provision for retirement benefit obligations	14	53,142	53,426
Provision (write-back) for slow moving and obsolete inventory	8	376,814	(20,792)
Net foreign exchange difference		(107,940,000)	-
		<u>177,335,123</u>	<u>40,307,735</u>
Working capital changes:			
Increase in inventories		(128,034,216)	(94,490,080)
Increase in accounts receivable		(157,910)	(184,852)
Increase in other assets		(4,720,898)	(178,898)
Increase in accounts payable		27,949,891	17,846,169
Increase in accrued expenses and other liabilities		65,845,927	2,490,160
Net change in related parties balances		(26,512,488)	63,254,579
Increase (decrease) in deferred income		173,250	(174,098)
Cash from operations		<u>111,878,679</u>	<u>28,870,715</u>
Income tax paid	5	(6,624,966)	(2,415,442)
End of service benefits paid	14	(325,358)	(515,711)
Net cash from operating activities		<u>104,928,355</u>	<u>25,939,562</u>
INVESTING ACTIVITY			
Purchase of property and equipment	6	(42,898,601)	(17,203,987)
Net cash used in investing activity		<u>(42,898,601)</u>	<u>(17,203,987)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		62,029,754	8,735,575
Cash and cash equivalents at 1 January		14,793,186	6,057,611
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	<u><u>76,822,940</u></u>	<u><u>14,793,186</u></u>

The attached notes 1 to 19 form part of these financial statements.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1 CORPORATE INFORMATION

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

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

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

The financial statements have been presented in thousands of Lebanese Lira (LL (000)) which is the functional currency. The financial statements are prepared under the historical cost convention.

As of 31 December 2023, all conditions have been met for the Company's financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analysing the behaviour of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative increase of consumer of 2,005% and 192% respectively, as of December 2023 (2022: 1,670% and 122%, respectively). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020.

Therefore, entities whose functional currency is the Lebanese Pound should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatement shall be made as if the Lebanese economy has always been hyperinflationary; using a general price index that reflects the changes in the currency's purchasing power.

The effects of the application of IAS 29 are summarised below:

- (a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.
- (b) In summary, the restatement method under IAS 29 is as follows:
 - i. Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income for the period for which it is reported.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- ii. Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.
- iii. Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortization charges of intangible assets recognized in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.
- iv. Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except also those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately, and compare them again, but with the restated amounts.
- v. At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior-year comparatives are restated in terms of the measuring unit current at the end of the current reporting period, the equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

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

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

2.2 Operating environment of the Company

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

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Operating environment of the Company (continued)

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

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

Foreign currencies and exchange rates

The difficulty in accessing foreign currencies lead to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of LL 1,507.5 to the USD which was increased to LL 15,000 to the USD starting February 2023.

Several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official one, mainly the parallel exchange markets rate and the Sayrafa rate, in addition to different exchange rates adopted for commercial transactions purposes in Lebanon.

The Sayrafa corresponds to a floating system and the rates are published on the website of the Central Bank of Lebanon. The rates were as follows for the years ended 31 December 2023 and 2022:

	2023		2022	
	Rate as at 31 December LL	Average rate for year ended 31 December LL	Rate as at 31 December LL	Average rate for year ended 31 December LL
USD	89,500	79,117	38,000	26,433

The Sayrafa platform is not available for the purchase and sale of "local" foreign currency bank accounts which are subject to defacto capital control.

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

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

	Rate as at 31 December 2023 LL	Average rate for the year ended 31 December 2023 LL	Rate as at 31 December 2022 LL	Average rate for the year ended 31 December 2022 LL
	US Dollar	89,702	84,232	42,800
Euro	99,085	91,106	45,700	32,100

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.2 Operating environment of the Company (continued)

Foreign currencies and exchange rates (continued)

- a) Balances and transactions in US dollars and other foreign currencies subject to de-facto capital controls, are translated at the published official exchange rate of 1 US\$ / LL 15,000 starting from February 2023 (2022: 1 US\$ / LL 1,507.5; the published official exchange rate was increased to 1 US\$ / LL 15,000 during February 2023), unless a different rate is specified in the terms of the agreement stipulating the transaction. During February 2024, the official exchange rate was increased to LL 89,500 to the USD.

Taxes, social security contributions and related provisions

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

2.3 Change in accounting policies

New and amended standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the previous year, except for the adoption of the new and amended IFRS effective as of 1 January 2023:

- *IFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates - Amendments to IAS 8*
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*
- *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*

The adoption of the above new and amended standards did not materially impact the financial position or performance of the Company.

2.4 Standards issued but not yet effective

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

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*
- *Amendments to IAS 21 - Lack of Exchangeability*

The Management does not expect these amendments to have a significant impact on the Company's financial statements.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies

Revenue recognition

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

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

Accounts receivable

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

Cash and cash equivalents

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

Inventories

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

Pensions and other post-employment benefits

The Company provides retirement benefits obligation to its employees under defined benefit plans which requires contributions to be made to separately administered funds. The cost of providing these benefits is determined using the projected unit credit method which involves making actuarial assumptions about discount rates and future salary increases. Those assumptions are unbiased and mutually compatible.

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

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under "personnel expenses" in the statement of income:

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

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Taxes

Taxation is provided in accordance with Lebanese fiscal regulations.

Current income tax

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

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

Deferred tax

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

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

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

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

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

Value added tax

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

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

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

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Impairment of financial assets

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

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

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

Measurement and recognition of expected credit losses

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

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

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

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

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

Property and equipment

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

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

	<i>Rate</i>
Buildings	6%
Industrial machinery and equipment	8%
Vehicles	25%
Furniture, fixtures and office equipment	8%

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Property and equipment (continued)

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

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or a CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Accounts payable and accruals

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

Provisions

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

Foreign currencies

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

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2.6 Material accounting judgments, estimates and assumptions

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

Judgments

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

Going concern

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

Income tax

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

Estimates and assumptions

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

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

Expected credit losses

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

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Material accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Expected credit losses (continued)

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

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

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices. Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the statement of income.

Provision for employees' end of service benefits

The cost of defined end of service benefits as well as the present value of the obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. Further details about the assumptions used are given in note 14.

3 SALES

	2023 LL (000)	2022 LL (000)
White cement	511,171,997	151,654,551
Discounts	-	(16,008)
	<u>511,171,997</u>	<u>151,638,543</u>

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4 EXPENSES BY NATURE

	2023			Total LL (000)
	Cost of sales LL (000)	Distributions expenses LL (000)	General and administrative expenses LL (000)	
Combustibles	109,466,636	-	-	109,466,636
Raw materials	119,303,015	-	-	119,303,015
Salaries and related charges	53,872,807	8,028,494	4,095,772	65,997,073
Spare parts, consumables and maintenance expense	10,499,005	4,635,360	-	15,134,365
Energy consumption	79,147,427	1,460,911	-	80,608,338
Technical assistance (note 7)	-	-	20,446,880	20,446,880
Depreciation charge (note 6)	2,657,205	6,099	-	2,663,304
Packing materials	-	11,232,724	-	11,232,724
Contractual employees	4,656,869	781,558	97,201	5,535,628
Other third party services	4,742,225	951,688	-	5,693,913
Other taxes	2,993,387	-	-	2,993,387
Changes in inventories of finished goods and work in progress	(121,702,497)	-	-	(121,702,497)
Other expenses - net	20,007,050	-	2,163,458	22,170,508
	<u>285,643,129</u>	<u>27,096,834</u>	<u>26,803,311</u>	<u>339,543,274</u>
	2022			
	Cost of sales LL (000)	Distributions expenses LL (000)	General and administrative expenses LL (000)	Total LL (000)
Combustibles	62,643,775	-	-	62,643,775
Raw materials	53,001,665	-	-	53,001,665
Salaries and related charges	14,726,083	1,545,963	805,068	17,077,114
Spare parts, consumables and maintenance expense	4,394,964	1,700,541	-	6,095,505
Energy consumption	2,408,540	29,215	-	2,437,755
Technical assistance (note 7)	-	-	6,065,542	6,065,542
Depreciation charge (note 6)	1,303,792	6,098	-	1,309,890
Packing materials	-	4,163,364	-	4,163,364
Contractual employees	1,150,294	154,645	-	1,304,939
Other third party services	3,051,906	186,008	23,600	3,261,514
Other taxes	873,437	-	-	873,437
Changes in inventories of finished goods and work in progress	(37,981,959)	-	-	(37,981,959)
Other expenses - net	3,636,560	-	363,127	3,999,687
	<u>109,209,057</u>	<u>7,785,834</u>	<u>7,257,337</u>	<u>124,252,228</u>

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4 EXPENSES BY NATURE (continued)

Salaries and related charges consist of the following:

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Salaries	33,975,457	10,503,522
Costs recharged from a related party (note 7)	24,126,735	5,224,241
Transportation	859,200	339,789
National social security contributions	765,881	280,187
Other benefits	6,269,800	729,375
	<u>65,997,073</u>	<u>17,077,114</u>

5 INCOME TAX EXPENSE

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

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Accounting profit before tax	282,181,863	38,965,211
Income tax expense at statutory rate of 17%	<u>47,970,917</u>	<u>6,624,086</u>
Effect of expense not deductible for tax purpose:		
Taxes	-	6,675
Other expenses	138,169	7,503
Tax effect of revenue not taxable for tax purposes:		
Interest income from loan to a related party	(531,643)	(73,427)
Total current income tax	<u>47,577,443</u>	<u>6,564,837</u>
Income tax expense reported in the statement of comprehensive income	47,578,116	6,564,951
Surplus in income tax recognized	<u>673</u>	<u>114</u>

Movement in the current income tax liability is as follows:

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Balance at 1 January	6,647,427	2,497,918
Provision for the year	47,578,116	6,564,951
Payments during the year	(6,624,966)	(2,415,442)
Balance at 31 December	<u>47,600,577</u>	<u>6,647,427</u>

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

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6 PROPERTY AND EQUIPMENT

	Land LL (000)	Buildings LL (000)	Installations and equipment LL (000)	Vehicles LL (000)	Furniture and fixtures LL (000)	Total LL (000)
Cost:						
Balance at 1 January 2023	4,456,890	7,193,423	48,858,261	331,572	274,393	61,114,539
Additions	-	-	42,898,601	-	-	42,898,601
Disposals	-	-	-	(9,045)	-	(9,045)
Balance at 31 December 2023	4,456,890	7,193,423	91,756,862	322,527	274,393	104,004,095
Depreciation						
Balance at 1 January 2023	-	(6,930,137)	(21,238,201)	(331,572)	(271,270)	(28,771,180)
Charge for the year	-	(30,984)	(2,630,117)	-	(2,203)	(2,663,304)
Related to disposals	-	-	-	9,045	-	9,045
Balance at 31 December 2023	-	(6,961,121)	(23,868,318)	(322,527)	(273,473)	(31,425,439)
Net book value At 31 December 2023	4,456,890	232,302	67,888,544	-	920	72,578,656
Cost:						
Balance at 1 January 2022	4,456,890	7,193,423	31,654,274	331,572	274,393	43,910,552
Additions	-	-	17,203,987	-	-	17,203,987
Balance at 31 December 2022	4,456,890	7,193,423	48,858,261	331,572	274,393	61,114,539
Depreciation						
Balance at 1 January 2022	-	(6,898,124)	(19,962,527)	(331,572)	(269,067)	(27,461,290)
Charge for the year	-	(32,013)	(1,275,674)	-	(2,203)	(1,309,890)
Balance at 31 December 2022	-	(6,930,137)	(21,238,201)	(331,572)	(271,270)	(28,771,180)
Net book value At 31 December 2022	4,456,890	263,286	27,620,060	-	3,123	32,343,359

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

7 RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	<i>2023</i> <i>Due to</i> <i>LL (000)</i>	<i>2022</i> <i>Due to</i> <i>LL (000)</i>
Current:		
Holcim Liban SAL – parent company	41,507,030	68,019,518
Societe Carrière de Jieh SAL - related party	13,007	13,007
	<u>41,520,037</u>	<u>68,032,525</u>

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

	<i>2023</i> <i>LL (000)</i>	<i>2022</i> <i>LL (000)</i>
Loan to the parent company:		
Holcim Liban SAL	120,000,000	12,060,000
	<u>120,000,000</u>	<u>12,060,000</u>

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

	<i>2023</i> <i>LL (000)</i>	<i>2022</i> <i>LL (000)</i>
Purchase of goods	47,559,037	28,566,767
Purchase of services	6,989,191	3,670,580
Interest income on loan	3,127,309	431,927
Technical assistance (note 4)	20,446,880	6,065,542
Recharged costs from a related party (note 4)	24,126,735	5,224,241

The loan to the parent company amounting to LL (000) 120,000,000 (equivalent to US\$ 8 million at official rate) matures on 31 December 2024. Interest on the loan shall be equal to the BRR (Beirut reference rate) minus 2% having an average during 2023 of 2.53% (2022: the same). As a result of the change of the official exchange from of LL 1,507.5 to the USD to LL 15,000 to the USD starting February 2023 the Company recorded gain on exchange amounting to LL (000) 107,940,000 in the statement of comprehensive income.

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

8 INVENTORIES

	<i>2023</i> <i>LL (000)</i>	<i>2022</i> <i>LL (000)</i>
Raw material and combustibles	58,777,158	58,336,832
Finished goods – white cement	38,881,935	12,318,980
Spare parts	14,915,404	9,024,011
Work in progress	130,203,603	35,064,061
	<u>242,778,100</u>	<u>114,743,884</u>
Less: provision for slow moving and obsolete inventory	(1,485,584)	(1,108,770)
	<u>241,292,516</u>	<u>113,635,114</u>

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

	<i>2023</i> <i>LL (000)</i>	<i>2022</i> <i>LL (000)</i>
Balance at 1 January	1,108,770	1,129,562
Provided during the year	376,814	-
Write-back during the year	-	(20,792)
Balance at 31 December	<u>1,485,584</u>	<u>1,108,770</u>

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

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

9 OTHER ASSETS

	<i>2023</i> <i>LL (000)</i>	<i>2022</i> <i>LL (000)</i>
Advances to suppliers	8,654,262	9,682,788
Value added tax receivable	5,749,424	-
Other receivables	17,882	17,882
	<u>14,421,568</u>	<u>9,700,670</u>

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9 OTHER ASSETS (continued)

Other assets are segregated into the following currencies:

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Lebanese Lira	12,695,636	227,026
Unrestricted US Dollar (fresh)	1,725,932	2,941,312
Restricted Euro (local)	-	440
Unrestricted Euro (fresh)	-	6,531,892
	<u>14,421,568</u>	<u>9,700,670</u>

10 ACCOUNTS RECEIVABLE

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Trade receivables	632,802	474,892
Less: allowance for credit loss – credit impaired	(107,493)	(107,493)
	<u>525,309</u>	<u>367,399</u>

The aging of trade receivables as at 31 December 2023 and 2022 is detailed as follows:

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Not due	556,155	350,440
0 – 30 days	427	31,827
31 – 60 days	-	107
61 – 90 days	2,720	1,114
91 – 120 days	-	28,242
>120 days	73,500	63,162
	<u>632,802</u>	<u>474,892</u>

11 BANK BALANCES

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Bank balances	76,822,940	14,793,186
	<u>76,822,940</u>	<u>14,793,186</u>

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

11 BANK BALANCES (continued)

Bank balances are segregated as follows by currency:

	2023 LL (000)	2022 LL (000)
Unrestricted US Dollar (fresh)	57,863,828	664,788
Lebanese Lira	11,831,150	13,402,336
Restricted US Dollar (local)	7,127,962	725,404
Unrestricted Euro (fresh)	-	658
	<u>76,822,940</u>	<u>14,793,186</u>

Restricted US Dollar (local) as at 31 December 2023 and 31 December 2022, consist of balances with Lebanese banks that are subject to de-facto capital controls and restricted transfers outside Lebanon. However, these balances are available for disbursement within Lebanon.

12 CAPITAL

As at 31 December 2023 and 2022, the Company's capital amounting to LL (000) 13,500,000 consists of 9,000,000 shares with a par value of LL 1,500 each, authorized and fully paid.

13 RESERVES

Legal reserve

In accordance with the Lebanese Code of Commerce and the Company's articles of association, 10% of the annual net income is required to be transferred to legal reserve until this reserve equals one third of the capital. This limit was attained in prior years and no further transfer is required. This reserve is not available for dividend distribution.

Other reserve

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

14 RETIREMENT BENEFIT OBLIGATIONS

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

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14 RETIREMENT BENEFIT OBLIGATIONS (continued)

Movements in the provision for end service benefits recognized in the statement of financial position are as follows:

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Balance at 1 January	1,676,083	1,831,166
<i>Costs charged to the income statement:</i>		
Current service cost	5,151	2,177
Interest expense	47,991	51,249
	<u>53,142</u>	<u>53,426</u>
<i>Re-measurement gains in other comprehensive income:</i>		
Experience adjustments	11,574,161	307,202
	<u>11,574,161</u>	<u>307,202</u>
End of service benefits paid during the year	<u>(325,358)</u>	<u>(515,711)</u>
Balance at 31 December	<u><u>12,978,028</u></u>	<u><u>1,676,083</u></u>

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

	2023	2022
Discount rate	5.6%	5.6%
Expected rate of return on contribution	5.0%	5.0%
Salary growth rate	4.0%	4.0%
Mortality rate	None	None
Turnover rate	1.0%	1.0%
Retirement age	Earliest of 64 or completion of 35 years of contribution	Earliest of 64 or completion of 35 years of contribution

15 ACCOUNTS PAYABLE

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Trade payables	55,896,763	27,946,872
Due to related parties (note 7)	41,520,037	68,032,525
	<u>97,416,800</u>	<u>95,979,397</u>

SOCIÉTÉ LIBANAISE DES CIMENTS BLANCS SAL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

15 ACCOUNTS PAYABLE (continued)

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

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Unrestricted US Dollar (fresh)	31,665,320	2,168,597
Unrestricted Euro (fresh)	21,921,448	24,002,433
Lebanese Lira	1,919,682	1,775,843
Restricted GBP (local)	185,794	-
Restricted US Dollar (local)	126,272	-
Restricted Euro (local)	78,247	-
	<u>55,896,763</u>	<u>27,946,872</u>

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	2023 <i>LL (000)</i>	2022 <i>LL (000)</i>
Advances from customers	1,987,109	471,899
Social security dues	274,731	46,026
Taxes withheld on salaries	200,020	212,226
Deferred income	173,250	-
Dividends payable	168,101	168,770
Value added tax payable	-	150,206
Other accrued expenses	66,870,162	2,605,069
	<u>69,673,373</u>	<u>3,654,196</u>

17 COMMITMENTS AND CONTINGENCIES

The Company's books and records from the years 2017 to 2023 remain subject to review by the Department of Value Added Tax and Department of Income Tax. Management does not believe that the ultimate outcome of any such reviews can have a material effect on the financial statements.

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

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

18 RISK MANAGEMENT

Interest rate risk

The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest-earning assets and interest-bearing liabilities and related interest amounts. The Company has no significant liabilities subject to interest. The Company's major interest-bearing assets is the loan to the parent company that is subject to variable interest rate. A 1% change in interest rate would impact the Company's profitability by LL (000) 1,200,000 (2022: LL (000) 120,600).

Credit risk

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

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

Liquidity risk

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

Currency risk

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

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022. Equity comprises of paid capital, retained earnings, share premium, and reserves and is measured at a surplus of LL (000) 297,481,354 as at 31 December 2023 (2022: LL (000) 74,451,768).

19 FAIR VALUES

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

Effects of exchange rates on fair value measurements

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