

HOLCIM (LIBAN) S.A.L.

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

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Independent auditor's report to the shareholders of Holcim (Liban) S.A.L.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Holcim (Liban) S.A.L. (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

- | | |
|-------------------|--|
| Key Audit Matters | <ul style="list-style-type: none">▪ Capitalisation and useful lives of property, plant and equipment;▪ Environmental provision; and▪ Raw materials quantities. |
|-------------------|--|

We have set out below our explanation of each item and a summary of the audit approach.

Independent auditor's report (continued) to the shareholders of Holcim (Liban) S.A.L.

Our audit approach (continued)

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

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

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Capitalisation and useful lives of property, plant and equipment

At 31 December 2016, property, plant and equipment of LL 203 billion accounted for 74% of total non-current assets and 51% of total assets overall and included LL 123 billion of plant and equipment. We focused on that area on account of the significance of the balance involved as well as the judgement required in the estimation of useful economic lives. In particular, we addressed the risk that the useful economic lives of plant and equipment might not be appropriate.

Refer to notes 2.4 and 4 (b) for information on accounting policies and critical accounting estimates and judgements.

On a sample basis, we evaluated and tested controls over the plant and equipment business cycle, performed tests of detail on costs that were capitalised and tested the depreciation calculation by reference to the Group's depreciation policy.

We assessed the nature of costs incurred and checked whether they met capitalisation criteria.

We assessed whether management's estimations of the useful economic lives of plant and equipment were appropriate based on our knowledge of the business and more generally, the practice in the cement industry globally.

We tested the appropriateness of the related disclosures in note 6 to the consolidated financial statements.

Independent auditor's report (continued) to the shareholders of Holcim (Liban) S.A.L.

Key audit matters (continued)

Key audit matter

How our audit addressed the key audit matter

Environmental provision

The Group has a quarry rehabilitation programme for the preparation and closure of quarries in an environmentally responsible manner. The aim of the programme is to reintegrate exhausted parts of a quarry into the landscape as well as to make the site safe and stable for future land use. To that end a provision is made that is based upon the estimated costs of the site restoration. The total provision carried at 31 December 2016 is LL 3.79 billion (refer to note 19).

As would be expected, such a provision involves significant judgement as to (i) the timing of the site restoration, (ii) the estimated costs and (iii) a proper measurement of the surfaces that are impacted by the extraction activities.

Refer to notes 2.20 and 4 (d) for information on accounting policies and critical accounting estimates and judgement.

External expert topographers are used by the Group to assist in the determination of the surfaces that are impacted by the extraction activities, as a basis for calculating the provision. We attended and observed the physical measurement of such surfaces by the experts.

We also assessed:

- (i) the competence and independence of the experts and read and considered the findings set out in their report;
- (ii) the soundness of the financial model used to compute the provision by testing the construction of the financial model for the proper functioning of the embedded formulae;
- (iii) the reasonableness of the input into the model in terms of:
 - the surface covered, by reference to the experts' report;
 - the timing of the expected works, by reference to the lease period of quarry sites; and
 - the costs involved, by reference to cost estimates obtained by the Group for the restoration works.
- (iv) the appropriateness of the discount factor used; and
- (v) the appropriateness of the related disclosures 2.20 and 4 (d) to the consolidated financial statements.

Raw materials quantities

At 31 December 2016, the carrying amount of raw materials was LL 21.41 billion which is significant in the context of the balance sheet (refer to note 11).

The external experts referred to above were also used by the Group to determine the physical quantities of raw materials held, as a basis for determining the carrying amount of raw materials.

Independent auditor's report (continued) to the shareholders of Holcim (Liban) S.A.L.

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Raw materials quantities (continued)</i>	
<p>We focused on this area because the determination of the quantities of raw materials (i.e. basalt, argil, sand etc.) requires significant levels of judgement and technical expertise.</p> <p>Refer to notes 2.11 and 11 for information on accounting policies and disclosures.</p>	<p>We attended and observed the measurement of quantities by the experts. For measurements conducted at a date other than the balance sheet date, roll-forward reconciliation procedures were tested on a sample basis taking into account details of extractive production data and sales in the roll-forward period. We also assessed, on a sample basis, the reasonableness of the density assumptions used by the expert in the calculation of the final quantities by benchmarking to other local cement companies as well as publicly available information on density by type of raw material.</p>

Other information

Management is responsible for the other information. The other information comprises the Board of Directors Report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report (continued) to the shareholders of Holcim (Liban) S.A.L.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

**Independent auditor's report (continued)
to the shareholders of Holcim (Liban) S.A.L.**

**Auditor's responsibilities for the audit of the consolidated financial statements
(continued)**

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

Other matter

The comparative information as at and for the year ended 31 December 2015 has not been audited.

The engagement partner on the audit resulting in this independent auditor's report is Camille C. Sifri.



Beirut, Lebanon
26 May 2017

**Consolidated balance sheet
at 31 December 2016**

	Note	2016 LL'000	2015 LL'000
Assets			
Non-current assets			
Property, plant and equipment	6	202,652,689	211,142,330
Investment properties	8	12,077,167	12,077,167
Intangible assets	7	39,820,625	40,983,825
Trade and other receivables	10	19,330,657	19,898,009
		<u>273,881,138</u>	<u>284,101,331</u>
Current assets			
Inventories	11	47,973,938	61,382,326
Trade and other receivables	10	51,050,224	44,756,427
Cash and cash equivalents	12	23,087,824	40,720,224
		<u>122,111,986</u>	<u>146,858,977</u>
Total assets		<u><u>395,993,124</u></u>	<u><u>430,960,308</u></u>
Equity			
Equity attributable to owners of the parent			
Share capital	13	97,580,200	195,160,400
Legal reserve	14	56,800,812	53,684,277
Other reserve	15	56,085,156	56,085,156
Retained earnings		78,017,311	29,538,756
Currency translation reserve		3,965,676	6,036,601
		<u>292,449,155</u>	<u>340,505,190</u>
Non-controlling interests		<u>9,280,510</u>	<u>8,455,618</u>
Total equity		<u><u>301,729,665</u></u>	<u><u>348,960,808</u></u>
Liabilities			
Non-current liabilities			
Retirement benefit obligations	18	6,970,004	7,141,606
Notes payable	17	3,300,821	3,830,046
Provision for risk and charges	19	5,669,991	5,225,908
Deferred tax liability	20	1,528,119	1,302,119
		<u>17,468,935</u>	<u>17,499,679</u>
Current liabilities			
Borrowings	16	9,319,554	-
Trade and other payables	21	48,333,552	50,631,735
Current income tax liability	20	15,776,178	8,402,468
Notes payable	17	501,068	450,379
Provision for risk and charges	19	2,864,172	5,015,239
		<u>76,794,524</u>	<u>64,499,821</u>
Total liabilities		<u><u>94,263,459</u></u>	<u><u>81,999,500</u></u>
Total equity and liabilities		<u><u>395,993,124</u></u>	<u><u>430,960,308</u></u>

The financial statements on pages 7 to 44 were approved for issue by the Board of Directors on 6 April 2017 and were signed on its behalf by:

Mr. Toufic Tabbara
Chief Executive Officer

Mr. Markus Herbst
Chief Financial Officer

The notes on pages 11 to 44 are an integral part of these consolidated financial statements.

**Consolidated statement of comprehensive income
for the year ended 31 December 2016**

	Note	2016 LL'000	2015 LL'000
Revenue		301,760,240	284,421,724
Cost of sales	22	<u>(155,709,278)</u>	<u>(183,557,764)</u>
Gross profit		146,050,962	100,863,960
Distribution costs	22	<u>(26,510,045)</u>	<u>(28,299,417)</u>
Administrative expenses	22	<u>(13,915,694)</u>	<u>(24,848,601)</u>
Other expenses - net	24	<u>(10,100,506)</u>	<u>(8,610,339)</u>
Operating profit		95,524,717	39,105,603
Finance costs - net	25	<u>(230,386)</u>	<u>(1,985,702)</u>
Profit before income tax		95,294,331	37,119,901
Income tax expense	20	<u>(16,265,872)</u>	<u>(8,188,198)</u>
Profit for the year		79,028,459	28,931,703
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurments of post-employment benefit obligations	18	(164,588)	1,655,186
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(2,070,925)</u>	<u>(1,876,860)</u>
Other comprehensive income for the year		(2,235,513)	(221,674)
Total comprehensive income for the year		76,792,946	28,710,029
Profit for the year attributable to:			
Owners of the parent		76,801,841	27,512,344
Non-controlling interests		<u>2,226,618</u>	<u>1,419,359</u>
		79,028,459	28,931,703
Total comprehensive income for the year attributable to:			
Owners of the parent		74,582,260	27,410,090
Non-controlling interests		<u>2,210,686</u>	<u>1,299,939</u>
		76,792,946	28,710,029
Earnings per share from profit attributable to the equity holders of the Company during the year (expressed in LL per share)			
	26	<u>3,935</u>	<u>1,410</u>

**Consolidated statement of changes in equity
for the year ended 31 December 2016**

Attributable to owners of the parent

	Share capital LL'000	Legal reserve LL'000	Other reserve LL'000	Currency translation reserve LL'000	Retained earnings LL'000	Total LL'000	Non- controlling interests LL'000	Total equity LL'000
Balance at 1 January 2015	195,160,400	48,242,784	56,085,156	7,913,461	49,672,451	357,074,252	8,663,174	365,737,426
Profit for the year	-	-	-	-	27,512,344	27,512,344	1,419,359	28,931,703
Other comprehensive income for the year	-	-	-	(1,876,860)	1,655,186	(221,674)	-	(221,674)
Transfer to legal reserve (note 14)	-	5,441,493	-	-	(5,441,493)	-	-	-
<i>Transactions with owners in their capacity as owners:</i>								
Dividends declared (note 27)	-	-	-	-	(43,859,732)	(43,859,732)	(1,626,915)	(45,486,647)
Balance at 1 January 2016	195,160,400	53,684,277	56,085,156	6,036,601	29,538,756	340,505,190	8,455,618	348,960,808
Profit for the year	-	-	-	-	76,801,841	76,801,841	2,226,618	79,028,459
Other comprehensive income for the year	-	-	-	(2,070,925)	(164,588)	(2,235,513)	-	(2,235,513)
Transfer to legal reserve (note 14)	-	3,116,535	-	-	(3,116,535)	-	-	-
<i>Transactions with owners in their capacity as owners:</i>								
Dividends declared (note 27)	-	-	-	-	(25,042,163)	(25,042,163)	(1,401,726)	(26,443,889)
Decrease in share capital (note 13)	(97,580,200)	-	-	-	-	(97,580,200)	-	(97,580,200)
Balance at 31 December 2016	97,580,200	56,800,812	56,085,156	3,965,676	78,017,311	292,449,155	9,280,510	301,729,665

**Consolidated statement of cash flows
for the year ended 31 December 2016**

	Note	2016 LL'000	2015 LL'000
Cash flows from operating activities			
Profit before income tax		95,294,331	37,119,901
Adjustments for:			
Depreciation charge	6, 22	18,410,436	17,428,009
Depletion and amortisation charge	7, 22	1,163,200	1,156,421
Interest expense	25	1,789,228	2,752,424
Interest income	25	(1,558,842)	(766,722)
Net transfer from retirement benefit obligations	18	(171,602)	(1,492,095)
(Release) provision for risk and charges - net		(1,694,237)	7,266,740
Provision for slow moving and obsolete inventories	11, 22	904,051	1,711,181
Provision for impairment of trade receivables	10	609,310	697,088
Gain on disposal of property, plant and equipment	24	(12,675)	-
Changes in working capital:			
Inventories		12,235,469	93,466
Trade and other receivables		(7,339,705)	(4,569,350)
Trade and other payables		(4,266,401)	(5,547,526)
Notes receivable		(1,269,970)	-
Cash generated from operations		114,092,593	55,849,537
Interest received	25	1,558,842	766,722
Interest paid	25	(1,789,228)	(2,752,424)
Income tax paid	20	(8,377,407)	(5,373,682)
Net cash generated from operating activities		105,484,800	48,490,153
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,495,092)	(14,004,676)
Purchase of intangible assets		-	(495,968)
Proceeds from disposal of property, plant and equipment		12,675	-
Proceeds from notes receivable		727,523	899,978
Net cash used in investing activities		(9,754,894)	(13,600,666)
Cash flows from financing activities			
Dividends paid to owners of the parent		(24,798,163)	(43,859,732)
Dividends paid to non-controlling interests		(1,401,726)	(1,626,915)
Return of capital to shareholders		(95,855,874)	-
Repayment of notes payable	17	(478,536)	-
Proceeds from borrowings	16	129,973,463	-
Repayment of borrowings		(120,653,909)	(2,285,371)
Net cash used in financing activities		(113,214,745)	(47,772,018)
Net decrease in cash and cash equivalents		(17,484,839)	(12,882,531)
Cash and cash equivalents at beginning of year		40,720,224	54,044,739
Exchange losses on cash and cash equivalents		(147,561)	(441,984)
Cash and cash equivalents at end of year	12	23,087,824	40,720,224

Principal non-cash transactions:

The principal non-cash transactions consist mainly of:

- (i) Dividends declared not yet paid amounting to LL 244 million (note 27);
- (ii) Decrease in share capital not yet paid to shareholders amounting to LL 1.72 billion (note 27); and
- (iii) Additions to property, plant and equipment amounting to LL 180 million that have not yet been settled and are still reflected within trade and other payables.

The notes on pages 11 to 44 are an integral part of these consolidated financial statements.

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

1 General information

Holcim (Liban) S.A.L. ("the Company") is a joint stock company registered at the Beirut Commercial Court in 1929 under commercial register number 140. The Company's head office is in Antelias, Metn and the plant is located on plots that are situated within the municipalities of Chekka, Hery and Kefraya in the North of Lebanon. The Group comprises the Company together with its subsidiaries as follows:

	Country of incorporation	Percentage ownership 2016	Percentage ownership 2015
Boğaz Endüstri ve Madencilik Limited	Turkish republic of North Cyprus	100%	100%
Société Libanaise des Ciments Blancs S.A.L.	Lebanon	65.99%	65.99%
Holcim Beton S.A.L.	Lebanon	97.82%	97.82%
Energis Liban S.A.L.	Lebanon	100%	100%
EDP Centre S.A.R.L. (under liquidation)	Lebanon	91.80%	91.80%

The shares of Holcim (Liban) S.A.L. and Société Libanaise des Ciments Blancs S.A.L. are listed on the Beirut Stock Exchange.

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

The parent Company is Holcibel S.A., Belgium. The ultimate parent is LafargeHolcim Ltd., the address of its registered office is Zürcherstrasse 156, Jona, Switzerland.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.1.1 Changes in accounting policy and disclosures

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

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

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

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

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 Summary of significant accounting policies (continued)

2.2 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange difference arising are recognised in other comprehensive income.

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

(a) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by the subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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

2 Summary of significant accounting policies (continued)

2.5 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment properties comprise plots of land.

Investment properties are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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

2.6 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.3 (a). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impaired losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or group of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years).

(c) Client list

The Group acquired a client list from a previous competitor under a non-compete agreement. The client list is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over its estimated useful life of 10 years.

(d) Extraction rights

Land that is leased for its mineral resources is treated as intangible asset, is accounted for at cost and depleted over the period of the lease.

2 Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

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

2.8 Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.12 and 2.13).

2.9 Offsetting financial instruments

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

2.10 Impairment of financial assets

Assets carried at amortised cost

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

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

2 Summary of significant accounting policies (continued)

2.10 Impairment of financial assets (continued)

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

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

2.11 Inventories

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

2.12 Trade receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Trade payables

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

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

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Summary of significant accounting policies (continued)

2.17 Current and deferred income tax

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

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

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

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

2.18 Retirement benefit obligations

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

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

2.19 Provisions

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

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

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

2 Summary of significant accounting policies (continued)

2.20 Decommissioning and site rehabilitation

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

2.21 Revenue recognition

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

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

(a) Sales of goods

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

(b) Sales of services

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

2.22 Interest income

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

2.23 Leases

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

2.24 Dividend distribution

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

2.25 Basic earnings per share

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

2 Summary of significant accounting policies (continued)

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

2.27 Rounding of amounts

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

2.28 Comparatives

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Great Britain Pound ("GBP"), Swiss Franc ("CHF") and the Euro. The Group purchases some of its inventories from its suppliers in Euro, GBP and CHF whereas most sales are denominated in US Dollar. The Group is therefore exposed to foreign exchange risk with respect to the Euro, GBP and CHF. During 2016, purchases of inventories in foreign currencies amounted to LL 29.41 billion in Euro, LL 415 million in GBP and LL 19 million in CHF. There has been no change in the rate of the foreign exchange between the US Dollar and the Lebanese Pound during the year.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from current and non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's borrowings at variable rate were denominated in US Dollar. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. During 2016, these scenarios did not show a significant effect on the Group's consolidated statement of comprehensive income.

(iii) Price risk

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables. The Group deals with well reputable banks. As customers are not independently rated, risk control assesses the credit quality of the customer, taking into account its financial position, past experience letter of guarantees and other factors. The utilisation of credit limits is regularly monitored. Refer to note 9(b) for further disclosure on credit risk.

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

(c) Liquidity risk

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

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

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

	Less than 1 year LL'000	Between 1 & 2 years LL'000	Between 2 & 10 years LL'000	Total LL'000
At 31 December 2016				
Borrowings (note 16)	9,319,554	-	-	9,319,554
Trade and other payables excluding statutory liabilities (note 21)	41,084,772	-	-	41,084,772
Notes payable	501,068	1,069,699	3,293,339	4,864,106
	<u>50,905,394</u>	<u>1,069,699</u>	<u>3,293,339</u>	<u>55,268,432</u>
At 31 December 2015				
Trade and other payables excluding statutory liabilities (note 21)	44,140,790	-	-	44,140,790
Notes payable	478,536	1,024,656	3,839,449	5,342,641
	<u>44,619,326</u>	<u>1,024,656</u>	<u>3,839,449</u>	<u>49,483,431</u>

3 Financial risk management (continued)

3.2 Capital management

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

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

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

3.3 Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Investment properties are carried at cost. The fair value disclosed in note 8 is measured based on a valuation performed by an independent appraiser, which is classified as level 2.

Valuation techniques used to derive level 2 fair values:

Level 2 fair values of investment properties have generally been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

There were no changes in valuation techniques during the period.

4 Critical accounting estimates and judgements

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

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

4 Critical accounting estimates and judgements (continued)

(a) Pension benefits

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

The Group 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 Group 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 Group's historical trend. Additional information is disclosed in note 18.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is disclosed in note 18.

(b) Useful lives of property, plant and equipment

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

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

A change of +/- 10% in the useful life from management's estimates would increase / (decrease) the depreciation charge of property plant and equipment by approximately LL 1.12 / (1.67) billion.

(c) Impairment of inventories

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

(i) Every year, the Group conducts an analysis of the inventory's ageing to assess any possible impairment; and

(ii) Management provides annually for slow moving stock on a conservative basis.

Based on the results of the review, a provision for slow moving and obsolete inventories of LL 904 million (2015 - LL 1.71 billion) was taken during the year. The provision for slow moving and obsolete inventories at 31 December 2016 amounted to LL 12.19 billion (2015 - LL 11.49 billion).

A change of +/- 10% in obsolescence rates from management's estimates would increase/decrease the provision for slow moving and obsolete inventories by approximately LL 1.10 billion.

4 Critical accounting estimates and judgements (continued)

(d) *Environmental provision*

The environmental provision represents the estimated restoration and remediation costs relating to a number of quarries owned and managed by the Group. The restoration expenditure will be spent on the quarry sites used for extraction of raw material, specifically limestone. A number of estimation uncertainties affect the calculation of the provision, including the impact of regulation, accuracy of site survey, transportation costs, the impact of alternative technologies and changes in the discount rate. This provision incorporates management's best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision. The undiscounted amount is the undiscounted best estimate of the liability having regard to these uncertainties.

A change of +/- 10% in the discount rates from management's estimates would increase / (decrease) the environmental provision by approximately LL 315 / (388) million.

(e) *Income tax*

Significant judgement is required in determining the provision for income tax. The Group treats certain expenditures as being deductible for tax purposes. However, the tax position in relation to such types of expenditures may not always be clear. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes might be due after inspection by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made.

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

5 Segment information

The Group's strategic steering committee examines the Group's performance from a product perspective and has identified three reportable segments of its business namely, the grey cement, the white cement and the ready mix concrete.

Segment assets and segment liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

The information below is presented prior to intersegment eliminations.

5 Segment information (continued)(i) *Summarised statement of comprehensive income*

	Grey cement		White cement	Ready mix concrete	Eliminations/ reclassifications LL'000	Total LL'000
	Lebanese market LL'000	Turkish market LL'000	Lebanese market LL'000	Lebanese market LL'000		
2016						
Revenue	246,543,642	27,231,241	18,400,124	12,005,196	(2,419,963)	301,760,240
Cost of sales	(121,307,065)	(16,063,851)	(9,664,664)	(10,903,883)	2,230,185	(155,709,278)
Distribution costs	21,524,462	2,363,627	1,068,231	1,834,292	(280,567)	26,510,045
Administrative expenses	11,280,694	1,280,761	740,911	397,796	215,532	13,915,694
Other expenses - net	10,100,506	-	-	-	-	10,100,506
Profit (loss) before income tax	87,634,506	6,888,056	7,639,639	(1,075,917)	(5,561,567)	95,524,717
Finance (costs) income - net	(349,867)	(634,946)	713,321	54,858	(13,752)	(230,386)
Income tax expense	(13,435,265)	(1,806,885)	(1,023,722)	-	-	(16,265,872)
Other comprehensive income	(118,352)	-	(46,887)	651	(2,070,925)	(2,235,513)
Total comprehensive income (loss)	73,731,022	4,446,225	7,282,351	(1,020,408)	(7,646,244)	76,792,946
2015						
Revenue	228,011,224	26,924,789	19,256,697	13,288,998	(3,059,984)	284,421,724
Cost of sales	(144,141,337)	(18,519,943)	(11,822,274)	(11,922,213)	2,848,003	(183,557,764)
Distribution costs	23,453,278	2,027,403	1,062,768	1,947,925	(191,957)	28,299,417
Administrative expenses	21,007,708	1,209,356	2,200,847	287,443	143,247	24,848,601
Other expenses - net	8,610,339	-	-	-	-	8,610,339
Profit (loss) before income tax	32,664,625	3,553,156	4,899,445	(833,521)	(1,178,102)	39,105,603
Finance (costs) income - net	(1,133,368)	(1,614,931)	728,637	35,062	(1,102)	(1,985,702)
Income tax expense	(6,589,394)	(876,146)	(722,972)	-	314	(8,188,198)
Other comprehensive income	1,449,867	-	168,741	36,578	(1,876,860)	(221,674)
Total comprehensive income (loss)	26,391,730	1,062,079	5,073,851	(761,881)	(3,055,750)	28,710,029

5 Segment information (continued)

(ii) Segment assets and liabilities

	Grey cement		White cement	Ready mix concrete	Eliminations/ reclassifications LL'000	Total LL'000
	Lebanese market LL'000	Turkish market LL'000	Lebanese market LL'000	Lebanese market LL'000		
2016						
Non - current assets	237,821,509	3,532,564	26,727,784	4,545,748	1,253,533	273,881,138
Current assets	106,948,462	9,419,657	10,259,529	9,928,689	(14,444,351)	122,111,986
Total segment assets	344,769,971	12,952,221	36,987,313	14,474,437	(13,190,818)	395,993,124
Reconciliation						
<i>Unallocated</i>						
Investment in subsidiaries	29,249,162	-	-	-	(29,249,162)	-
Total assets as per the balance sheet	374,019,133	12,952,221	36,987,313	14,474,437	(42,439,980)	395,993,124
2015						
Non - current assets	246,492,212	4,412,139	26,258,615	5,067,254	1,871,111	284,101,331
Current assets	131,910,874	10,622,838	11,422,651	9,716,432	(16,813,818)	146,858,977
Total segment assets	378,403,086	15,034,977	37,681,266	14,783,686	(14,942,707)	430,960,308
Reconciliation						
<i>Unallocated</i>						
Investment in subsidiaries	29,249,162	-	-	-	(29,249,162)	-
Total assets as per the balance sheet	407,652,248	15,034,977	37,681,266	14,783,686	(44,191,869)	430,960,308
2016						
Non - current liabilities	30,033,731	75,298	3,442,868	65,738	(16,148,700)	17,468,935
Current liabilities	72,735,493	4,351,157	4,956,580	19,218,468	(24,467,174)	76,794,524
Total segment liabilities	102,769,224	4,426,455	8,399,448	19,284,206	(40,615,874)	94,263,459
2015						
Non - current liabilities	30,082,215	-	3,497,632	62,319	(16,142,487)	17,499,679
Current liabilities	57,778,652	6,338,622	8,062,694	18,455,870	(26,136,017)	64,499,821
Total segment liabilities	87,860,867	6,338,622	11,560,326	18,518,189	(42,278,504)	81,999,500

6 Property, plant and equipment

	Land LL'000	Buildings LL'000	Plant and equipment LL'000	Vehicles LL'000	Office equipment LL'000	Total LL'000
At 1 January 2015						
Cost	71,330,443	167,234,029	455,524,320	4,809,366	9,669,038	708,567,196
Accumulated depreciation	-	(158,930,206)	(323,661,421)	(4,379,214)	(9,081,820)	(496,052,662)
Net book amount	<u>71,330,443</u>	<u>8,303,823</u>	<u>131,862,898</u>	<u>430,152</u>	<u>587,218</u>	<u>212,514,534</u>
Year ended 31 December 2015						
Opening net book amount	71,330,443	8,303,823	131,862,898	430,152	587,218	212,514,534
Exchange differences	-	(180,346)	(855,306)	-	(106,082)	(1,141,734)
Additions	-	1,631,875	15,589,622	9,799	-	17,231,296
Disposals	-	(24,585)	-	(9,172)	-	(33,757)
Depreciation charge (note 22)	-	(763,530)	(16,413,282)	(225,740)	(25,457)	(17,428,009)
Closing net book amount	<u>71,330,443</u>	<u>8,967,237</u>	<u>130,183,932</u>	<u>205,039</u>	<u>455,679</u>	<u>211,142,330</u>
At 31 December 2015						
Cost	71,330,443	168,440,014	468,727,382	4,798,202	9,238,406	722,534,447
Accumulated depreciation	-	(159,472,777)	(338,543,450)	(4,593,163)	(8,782,727)	(511,392,117)
Net book amount	<u>71,330,443</u>	<u>8,967,237</u>	<u>130,183,932</u>	<u>205,039</u>	<u>455,679</u>	<u>211,142,330</u>

6 Property, plant and equipment (continued)

	Land LL'000	Buildings LL'000	Plant and equipment LL'000	Vehicles LL'000	Office equipment LL'000	Total LL'000
Year ended 31 December 2016						
Opening net book amount	71,330,443	8,967,237	130,183,932	205,039	455,679	211,142,330
Exchange differences		(115,775)	(567,630)	-	(70,892)	(754,297)
Additions	-	37,685	10,450,066	187,341	-	10,675,092
Depreciation charge (note 22)	-	(814,506)	(17,422,208)	(158,773)	(14,949)	(18,410,436)
Closing net book amount	<u>71,330,443</u>	<u>8,074,641</u>	<u>122,644,160</u>	<u>233,607</u>	<u>369,838</u>	<u>202,652,689</u>
At 31 December 2016						
Cost	71,330,443	168,200,783	477,521,423	4,899,375	9,121,365	731,073,389
Accumulated depreciation	-	(160,126,142)	(354,877,263)	(4,665,768)	(8,751,527)	(528,420,700)
Net book amount	<u>71,330,443</u>	<u>8,074,641</u>	<u>122,644,160</u>	<u>233,607</u>	<u>369,838</u>	<u>202,652,689</u>

The Group's property, plant and equipment are stated at "deemed cost" which represents the revaluation amount as determined by an independent revaluation carried out in 1997 based on market values at 31 December 1993. The revaluation resulted in an increase in the value of property, plant and equipment of LL 60.71 billion over their carrying amount (note 15).

Depreciation expense is included in cost of sales (LL 17.01 billion; 2015 - LL 16.01 billion), distribution costs (LL 1.35 billion; 2015 - LL 1.37 billion) and administrative expenses (LL 49.33 million; 2015 - LL 42.01 million).

7 Intangible assets

	Goodwill LL'000	Extraction rights LL'000	Client list LL'000	Software and other intangible assets LL'000	Total LL'000
At 1 January 2015					
Cost	18,615,232	32,478,103	58,340,250	570,473	110,004,058
Accumulated amortisation and depletion	-	(10,038,617)	(58,312,278)	(555,383)	(68,906,278)
Closing net book amount	<u>18,615,232</u>	<u>22,439,486</u>	<u>27,972</u>	<u>15,090</u>	<u>41,097,780</u>
Year ended 31 December 2015					
Opening net book amount	18,615,232	22,439,486	27,972	15,090	41,097,780
Additions	-	1,042,466	-	-	1,042,466
Depletion charge (note 22)	-	(1,128,449)	-	-	(1,128,449)
Amortisation charge (note 22)	-	-	(27,972)	-	(27,972)
Closing net book amount	<u>18,615,232</u>	<u>22,353,503</u>	<u>-</u>	<u>15,090</u>	<u>40,983,825</u>
At 31 December 2015					
Cost	18,615,232	33,520,569	58,340,250	570,473	111,046,524
Accumulated amortisation and depletion	-	(11,167,066)	(58,340,250)	(555,383)	(70,062,699)
Net book amount	<u>18,615,232</u>	<u>22,353,503</u>	<u>-</u>	<u>15,090</u>	<u>40,983,825</u>
Year ended 31 December 2016					
Opening net book amount	18,615,232	22,353,503	-	15,090	40,983,825
Depletion charge (note 22)	-	(1,163,200)	-	-	(1,163,200)
Closing net book amount	<u>18,615,232</u>	<u>21,190,303</u>	<u>-</u>	<u>15,090</u>	<u>39,820,625</u>
At 31 December 2016					
Cost	18,615,232	33,520,569	-	570,473	52,706,274
Accumulated amortisation and depletion	-	(12,330,266)	-	(555,383)	(12,885,649)
Net book amount	<u>18,615,232</u>	<u>21,190,303</u>	<u>-</u>	<u>15,090</u>	<u>39,820,625</u>

8 Investment properties

Investment properties consist of 42 plots of land not used in the Group's operations.

	2016 LL'000	2015 LL'000
Property location		
Hery	9,216,735	9,216,735
Kefraya	1,711,916	1,711,916
Hamat	1,148,516	1,148,516
At 31 December	<u>12,077,167</u>	<u>12,077,167</u>

An independent valuation of the Group's investment properties was performed by an independent expert to determine the fair value of the investment properties at 31 December 2015.

The valuation technique used by the independent expert was that of level 2 and was derived using the sales comparison approach.

The fair value was estimated to be LL 37.29 billion and has not fluctuated materially since then.

9a Financial instruments by category

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

	2016 LL'000	2015 LL'000
Assets as per balance sheet		
Loans and receivables		
Trade and other receivables		
excluding prepayments (notes 10)	49,631,166	42,912,731
Cash and cash equivalents (note 12)	23,087,824	40,720,224
	<u>72,718,990</u>	<u>83,632,955</u>
Liabilities as per balance sheet		
Other financial liabilities		
Borrowings (note 16)	9,319,554	-
Trade and other payables		
excluding statutory liabilities (note 21)	41,084,772	44,140,790
Notes payable (note 17)	3,801,889	4,280,425
	<u>54,206,215</u>	<u>48,421,215</u>

9b Credit quality of financial assets

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

	2016 LL'000	2015 LL'000
Trade receivables (note 10)		
Counterparties without external credit rating:		
Group 1	781,813	1,171,519
Group 2	2,771,537	3,224,618
	<u>3,553,350</u>	<u>4,396,137</u>
Cash at banks and short term bank deposits (note 12)		
Cash at banks and short term deposits	<u>14,317,515</u>	<u>23,089,795</u>

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

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

10 Trade and other receivables

	2016 LL'000	2015 LL'000
Trade receivables - net of rebates	62,480,831	58,300,243
Notes receivable	8,177,894	6,407,089
Provision for impairment of trade receivables	(25,883,533)	(25,405,277)
	<u>44,775,192</u>	<u>39,302,055</u>
Trade receivables - net	44,775,192	39,302,055
Notes receivable	13,298,947	14,825,695
Advances to suppliers	6,452,458	4,598,694
Prepayments	1,419,058	1,843,695
Advances to employees	1,167,770	1,215,179
Amounts due from related parties (note 31)	319,917	321,193
Value-added tax receivable	66,306	31,246
Other receivables	2,881,233	2,516,679
	<u>70,380,881</u>	<u>64,654,436</u>
Less: non-current portion of notes receivable	(18,422,023)	(18,717,483)
Less: non-current portion of prepaid rent	(908,634)	(1,180,526)
	<u>51,050,224</u>	<u>44,756,427</u>

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

Trade receivables are secured by bank guarantees of LL 25.65 billion (2015 - LL 24.41 billion).

10 Trade and other receivables (continued)

At 31 December 2016, trade receivables of LL 33.04 billion (2015 - LL 28.50 billion) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016 LL'000	2015 LL'000
Up to 3 months	9,815,526	12,175,491
Over 3 months	23,228,422	16,323,338
	<u>33,043,948</u>	<u>28,498,829</u>

At 31 December 2016, trade receivables of LL 25.88 billion (2015 - 25.41 billion) were impaired and provided for.

Movements on the Group provision for impairment of trade and other receivables are as follows:

	2016 LL'000	2015 LL'000
At 1 January	25,405,277	24,721,507
Provision for the impairment of trade receivables (note 22)	718,442	881,300
Receivables written-off during the year as uncollectible	(109,132)	(184,212)
Exchange differences	(131,054)	(13,318)
At 31 December	<u>25,883,533</u>	<u>25,405,277</u>

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

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

The Group's non-current portion of trade and other receivables consist of the following:

	2016 LL'000	2015 LL'000
Notes receivable from Societe pour le commerce de l'immobilier S.A.L.	9,348,916	10,291,144
Prepaid rent	908,634	1,180,526
Other notes receivable	9,073,107	8,426,339
	<u>19,330,657</u>	<u>19,898,009</u>

The maturity of the above trade and notes receivables is as follows:

Within 1 year	3,054,818	2,515,301
After 1 year but not more than 5 years	11,569,703	10,568,469
Over 5 years	6,852,320	8,149,014
	<u>21,476,841</u>	<u>21,232,784</u>

All non-current notes receivable are due within 10 years from the end of the reporting period. The effective interest rates on these notes receivable ranges between 4% and 6%.

11 Inventories

	2016 LL'000	2015 LL'000
Raw materials and combustibles	21,409,469	29,004,480
Consumables - spare parts	25,721,021	26,100,246
Finished goods - cement	6,877,602	5,029,627
Work in progress	3,878,738	10,387,923
Goods in transit	2,279,094	2,345,493
	<u>60,165,924</u>	<u>72,867,769</u>
Provision for slow moving and obsolete inventories	<u>(12,191,986)</u>	<u>(11,485,443)</u>
Total inventory - net	<u><u>47,973,938</u></u>	<u><u>61,382,326</u></u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to LL 113.12 billion (2015 - LL 135.98 billion).

Movement of the Group's provision for slow moving and obsolete inventories is as follows:

	2016 LL'000	2015 LL'000
At 1 January	11,485,443	9,774,262
Provision for the year (note 22)	904,051	1,711,181
Write-off of obsolete inventories	<u>(197,508)</u>	<u>-</u>
At 31 December	<u><u>12,191,986</u></u>	<u><u>11,485,443</u></u>

12 Cash and cash equivalents

Cash at banks	13,715,341	20,074,795
Short-term bank deposit	602,174	3,015,000
Cheques under collection	8,770,309	17,630,429
	<u>23,087,824</u>	<u>40,720,224</u>

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

13 Share capital

At 31 December 2016, the Company's share capital consists of 19,516,040 fully paid shares with a nominal value of LL 5,000 (2015 - LL 10,000) each.

	2016 LL'000	2015 LL'000
Share capital	<u>97,580,200</u>	<u>195,160,400</u>

A resolution was taken at the extraordinary general assembly of 14 December 2010 to reduce the Company's share capital from LL 195.16 billion to LL 97.58 billion (i.e., by an amount of LL 97.58 billion). The decrease in share capital was finalised and booked during 2016 when all legal formalities were completed. Accordingly, the nominal value per share was reduced from LL 10,000 to LL 5,000. A balance of LL 95.86 billion was repaid to shareholders during 2016 and the remaining balance of LL 1.72 billion was payable to the shareholders at the balance sheet date.

14 Legal reserve

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

15 Other reserve

Other reserve of LL 56.09 billion represents the amount of the revaluation reserve net of tax of LL 6.07 billion that arose on revaluation of property, plant and equipment in 1997. The revaluation surplus is subject to capital gains tax. Accordingly, a deferred tax liability of LL 6.07 billion is carried in respect of this temporary difference (note 20).

16 Borrowings

	2016 LL'000	2015 LL'000
Current		
Bank overdraft	<u>9,319,554</u>	<u>-</u>

The bank overdraft is subject to an interest rate of 3.7%.

17 Notes payable

	2016 LL'000	2015 LL'000
The maturity of these notes payable is as follows:		
Non-current	3,300,821	3,830,046
Current	<u>501,068</u>	<u>450,379</u>
At 31 December	<u>3,801,889</u>	<u>4,280,425</u>

During 2015, the Group reached an agreement with the National Social Security Fund ("NSSF") to schedule the settlement of a long outstanding disputed assessment of LL 4.74 billion. An amount of LL 237 million was paid upfront while the remaining balance of LL 4.5 billion is payable by 120 monthly instalments. The last instalment payment is due on 25 April 2025. The effective interest rate on these notes payable is 5%.

18 Retirement benefit obligations

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

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

	2016 LL'000	2015 LL'000
At 1 January	7,135,391	8,694,441
Current service cost	59,470	139,642
Interest expense	374,703	491,053
Total amount recognised in profit or loss	434,173	630,695
<i>Remeasurements</i>		
(Gain) loss from change in financial assumption	-	(799,375)
Experience (gains) losses	164,588	(855,811)
Total amount recognised in other comprehensive income	164,588	(1,655,186)
Benefit payments during the year	(764,148)	(528,344)
At 31 December	6,970,004	7,141,606

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

The significant actuarial assumptions were as follows:

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

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

19 Provision for risk and charges

	2016 LL'000	2015 LL'000
Non-current		
Environmental restoration	3,785,693	3,416,908
Legal claims	1,809,000	1,809,000
Other provisions	75,298	-
	<u>5,669,991</u>	<u>5,225,908</u>
Current		
Restructuring	2,664,172	4,950,630
Other provisions	200,000	64,609
	<u>2,864,172</u>	<u>5,015,239</u>
	<u><u>8,534,163</u></u>	<u><u>10,241,147</u></u>

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

	Restructuring LL'000	Environmental LL'000	Legal claims and other provisions LL'000	Total LL'000
At 1 January 2015	-	3,457,269	501,570	3,958,839
Charged / (credited) to profit or loss				
- additional provisions recognised	4,950,630	77,001	1,372,039	6,399,670
Amounts used during the year	-	(117,362)	-	(117,362)
At 1 January 2016	<u>4,950,630</u>	<u>3,416,908</u>	<u>1,873,609</u>	<u>10,241,147</u>
Charged / (credited) to profit or loss				
- unwinding of discount	-	(281,313)	-	(281,313)
- additional provisions recognised	-	650,098	248,663	898,761
Amounts used during the year	(2,286,458)	-	(64,607)	(2,351,065)
Exchange differences	-	-	26,633	26,633
At 31 December 2016	<u><u>2,664,172</u></u>	<u><u>3,785,693</u></u>	<u><u>2,084,298</u></u>	<u><u>8,534,163</u></u>

(i) Restructuring

Provision for restructuring costs relates to a restructuring programme where employees aged 60 and above were offered an early retirement plan. This programme was first introduced during the year ended 31 December 2015. The Group took a provision of LL 4.95 billion in this respect during 2015.

(ii) Environmental restoration

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

(iii) Legal claims

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

20 Income tax expense

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

	2016 LL'000	2015 LL'000
Profit before income tax	95,274,145	37,564,069
Income tax expenses at statutory rate	15,668,733	6,345,242
Effect of expenses not deductible for tax purposes:		
Provision for sales discounts	2,240,984	1,683,946
Provision for slow moving and obsolete inventories	140,661	256,677
Provision for risk and charges	70,375	938,710
Provision for impairment of trade and other receivables	138,119	138,492
Other non-deductible expenses	504,932	525,029
Effect of revenue not taxable for tax purposes:		
Reversal of sales discounts	(1,683,946)	(844,151)
Other income	(1,039,986)	(580,411)
Tax charge for the year	16,039,872	8,463,534
Adjustment in respect of prior years' tax	-	892,291
Total current tax	16,039,872	9,355,825
Change in deferred income tax liability (see below)	226,000	(1,167,627)
Income tax expense	16,265,872	8,188,198

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

Open tax years that remain subject to examination and acceptance by the value-added tax authorities are the financial years 2015 and 2016.

Movement in the current income tax liability is as follows:

	2016 LL'000	2015 LL'000
Balance brought forward	8,402,468	6,749,473
Provision for the year	16,039,872	8,188,512
Payments during the year	(8,377,407)	(5,373,682)
Adjustment in respect of prior year taxes	-	(892,291)
Exchange differences	(288,755)	(269,544)
At 31 December	15,776,178	8,402,468

Movement in the deferred income tax liability is as follows:

Balance brought forward	1,302,119	2,469,746
<i>Credited to statement of comprehensive income</i>		
Release (provision) for restructuring	385,349	(742,595)
Release (provision) for trade and other receivables	1,203	(99,361)
Provision for slow moving and obsolete inventories	(111,035)	(243,220)
Provision for environmental restoration	(48,531)	(730)
Other	(986)	(81,721)
Balance carry forward	1,528,119	1,302,119

20 Income tax expense (continued)

	2016 LL'000	2015 LL'000
The balance comprises temporary differences attributable to:		
<i>Deferred tax liability</i>		
Tax on land revaluation surplus	6,069,358	6,069,358
<i>Deferred tax asset</i>		
Trade and other receivables	(1,799,519)	(1,800,722)
Inventories	(1,740,648)	(1,629,613)
Environmental restoration	(561,067)	(512,536)
Restructuring provision	(357,246)	(742,595)
Other	(82,759)	(81,773)
Net deferred tax liability	1,528,119	1,302,119

Deferred income tax assets and liabilities were offset as they relate to taxes levied by the same taxation authority.

21 Trade and other payables

	2016 LL'000	2015 LL'000
Trade payables	24,780,661	30,915,607
Amounts due to related parties (note 31)	7,594,047	6,211,941
Accrued expenses	5,317,506	5,252,133
Value-added tax payable	3,500,213	1,904,230
Payable to shareholders (note 27)	3,392,558	1,761,109
Other taxes	1,993,828	2,736,401
Advances from customers	1,754,739	1,850,314
	48,333,552	50,631,735

22 Expenses by nature

Raw materials and combustibles	74,590,790	104,035,779
Employee benefit expenses (note 23)	26,275,388	35,992,840
Spare parts, consumables and maintenance expense	20,198,948	18,899,114
Depreciation charge (note 6)	18,410,436	17,428,009
Transportation charges	11,365,756	11,108,940
Purchased semi-finished and finished goods	10,679,166	19,475,439
Packing materials	5,920,561	6,258,745
Changes in inventories of finished goods and work in progress	4,326,006	(7,727,411)
Other taxes	4,011,113	3,610,916
Energy consumption	2,960,003	3,150,890
Contractual employees	2,212,842	3,746,238
Other third party services	1,885,952	3,121,098
Rent charges	1,592,017	1,757,457
Amortisation and depletion charges (note 7)	1,163,200	1,156,421
Provision for slow moving and obsolete inventories (note 11)	904,051	1,711,181
Provision for risk and charges (note 19)	898,761	1,384,433
Provision for impairment of trade and other receivables (note 10)	609,310	697,088
Professional fees	396,475	801,650
Other expenses - net	7,734,242	10,096,955
Total cost of sales, distribution costs and administrative expenses	196,135,017	236,705,782

23 Employee benefit expenses

	2016 LL'000	2015 LL'000
Employee benefit expenses include the following:		
Salaries and wages	16,902,830	17,773,783
Social security contributions	2,321,363	2,475,161
Seconded personnel	2,142,065	2,044,398
Transportation allowance	526,912	551,360
Restructuring charge	-	5,011,997
NSSF additional charges	-	4,740,794
Other benefits	4,382,218	3,395,347
	<u>26,275,388</u>	<u>35,992,840</u>

Salaries and wages of LL 16.90 billion (2015 - 17.77 billion) have been charged in the consolidated statement of comprehensive income as part of the following captions:

- (i) Cost of sales: LL 12.74 billion (2015 - 13.37 billion);
- (ii) Distribution cost: LL 1.53 billion (2015 - 1.51 billion); and
- (iii) Administrative expenses: LL 2.63 billion (2015 - 2.89 billion).

24 Other expenses - net

	2016 LL'000	2015 LL'000
Technical assistance (IFF)	10,561,804	9,956,079
Gain on foreign exchange - net	(448,623)	(1,345,740)
Gain on sale of fixed assets	(12,675)	-
	<u>10,100,506</u>	<u>8,610,339</u>

25 Finance costs - net*Finance costs:*

Interest expense on bank overdraft	323,205	491,154
Other charges	1,466,023	2,261,270
	<u>1,789,228</u>	<u>2,752,424</u>

Finance income:

Interest income on bank deposits	764,300	43,198
Interest income on notes receivable	513,205	606,106
Unwinding of discount	281,313	-
Other interest income	24	117,418
	<u>1,558,842</u>	<u>766,722</u>

Finance costs - net	<u>(230,386)</u>	<u>(1,985,702)</u>
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26 Earnings per share

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

	2016	2015
Profit attributable to equity holders of the Company (LL'000)	76,801,841	27,512,344
Weighted average number of ordinary shares in issue	19,516,040	19,516,040
Basic earnings per share (LL per share)	<u>3,935</u>	<u>1,410</u>

27 Dividends per share

The General Assembly meeting held on 15 June 2016 took the resolution to distribute dividends of LL 25.04 billion (LL 1,283 per share) on account of the financial year 2015.

The General Assembly meeting held on 28 May 2015 took the resolution to distribute dividends of LL 43.86 billion (LL 2,247 per share) on account of the financial year 2014.

An amount of LL 3.39 billion (2015 - LL 1.25 billion) was outstanding at the balance sheet date as payable to shareholders (note 21).

28 Contingencies

	2016 LL'000	2015 LL'000
Bank guarantees	5,588,804	5,588,804
Letters of credit	43	211,774

(a) Legal claims

The Company's accounting records were examined by the National Social Security Fund ("NSSF") for the period from 1 January 1982 to 30 September 2007. The review resulted in an assessment and in additional subscriptions due of LL 5.42 billion. An objection was submitted in respect of the assessment which was rejected by the Labour Council of Beirut. The Company has since filed an appeal.

During 2015, the Company availed itself of the opportunity (i) to settle the amount due by instalments (ii) to benefit from an exemption from delay penalties whilst maintaining its appeal against the assessment.

The exemption from delay penalties is not considered final until the entire social security debt is settled.

28 Contingencies (continued)**(b) Tax assessments***(i) Income tax and VAT departments*

During 2013, the Company's accounting records were examined by the income tax department and VAT department for the fiscal years 2008 to 2011. Final assessments have been issued amounting to LL 6.50 billion for income tax and LL 801 million for VAT which were settled by the Company during 2014.

Open tax years that remain subject to examination and acceptance by the income tax and VAT departments are the financial years 2012 and 2016. No provision has been made for the open tax years as the ultimate outcome of such examinations cannot presently be reliably determined.

(ii) National Social Security Fund

For Holcim (Liban) S.A.L., the period up to April 2016 was cleared by the National Social Security Fund.

29 Capital commitments

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

	2016 LL'000	2015 LL'000
Property, plant and equipment	-	5,532,525

30 Operating lease commitments

The future aggregate minimum lease payments under the non-cancellable operating leases are as follows:

	2016 LL'000	2015 LL'000
No later than 1 year	248,155	386,845
Later than 1 year and no later than 5 years	358,716	536,601
Later than 5 years	108,540	178,810
	<u>715,411</u>	<u>1,102,256</u>

31 Related-party transactions

The Company is controlled by its parent Company, Holcibel S.A., Belgium, which owns 52.12% of the Company's shares. In addition to the parent company, related parties comprise the Group's directors, shareholders, and other companies under common control. The Group maintains significant balances with these related parties which arise from operating and financing transactions as follows:

	2016 LL'000	2015 LL'000
(a) Transactions with related parties		
<i>(i) Transactions with fellow subsidiaries:</i>		
Income from services	314,777	151,583
Service fees	14,128,243	13,631,868
Purchase of goods	19,808,365	23,214,645
Recharged costs within related parties	<u>1,413,060</u>	<u>1,138,975</u>

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

	2016 LL'000	2015 LL'000
<i>(iii) Key management compensation:</i>		
Key management personnel	<u>1,531,577</u>	<u>1,581,332</u>
(b) Outstanding balances with related parties		
<i>(i) Amounts due from related parties (note 10):</i>		
Due from fellow subsidiaries	309,213	231,928
Other related parties	<u>10,704</u>	<u>89,265</u>
	<u>319,917</u>	<u>321,193</u>
<i>(ii) Amounts due to related parties (note 21):</i>		
Due to fellow subsidiaries	7,449,873	5,978,602
Other related parties	<u>144,174</u>	<u>233,339</u>
	<u>7,594,047</u>	<u>6,211,941</u>

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

32 Principal subsidiary

The Group had the following subsidiary with material non-controlling interests at 31 December 2016:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Société Libanaise des Ciments Blancs S.A.L.	Lebanon	White cement production	65.99	65.99	34.01

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The total non-controlling interest for the year is LL 9.28 billion, of which LL 9.26 billion is for Société Libanaise des Ciments Blancs S.A.L. The non-controlling interests in respect of other subsidiaries is not material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet for Société Libanaise des Ciments Blancs S.A.L.

	2016 LL'000	2015 LL'000
Current		
Assets	10,259,529	11,422,651
Liabilities	4,956,580	8,062,694
Total current net assets	5,302,949	3,359,957
Non-current		
Assets	26,727,784	26,258,615
Liabilities	3,442,868	3,497,632
Total non-current net assets	23,284,916	22,760,983
Net assets	28,587,865	26,120,940

32 Principal subsidiary (continued)

Summarised statement of comprehensive income
for Société Libanaise des Ciments Blancs S.A.L.

	2016 LL'000	2015 LL'000
Revenue	<u>18,400,124</u>	<u>19,256,697</u>
Profit before income tax	7,639,639	4,899,445
Income tax expense	(1,023,722)	(722,972)
Other comprehensive income	(46,887)	168,741
Total comprehensive income	<u>6,569,030</u>	<u>4,345,214</u>
Total comprehensive income allocated to non-controlling interests	2,250,073	1,420,418
Dividends paid to non-controlling interests	<u>(1,401,726)</u>	<u>(1,626,915)</u>

Summarised statement of cash flows
for Société Libanaise des Ciments Blancs S.A.L.

	2016 LL'000	2015 LL'000
Cash flows from operating activities		
Cash generated from operations	4,647,865	9,465,792
Interest paid	(71,049)	(31,860)
Interest received	155,047	108,353
Income tax paid	(827,630)	(846,482)
Net cash generated from operating activities	<u>3,904,233</u>	<u>8,695,803</u>
Net cash used in investing activities	<u>(308,637)</u>	<u>(1,528,594)</u>
Net cash used in financing activities	<u>(3,962,302)</u>	<u>(4,496,428)</u>
Net (decrease) increase in cash and cash equivalents	(366,706)	2,670,781
Cash and cash equivalents at beginning of year	<u>5,945,651</u>	<u>3,274,870</u>
Cash and cash equivalents at end of year	<u><u>5,578,945</u></u>	<u><u>5,945,651</u></u>

The information above is the amount before inter-company eliminations.