HOLCIM (LIBAN) S.A.L.

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

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Deloitte.

Deloitte & Touche
Arabia House
131 Phoenicia Street
Ain Mreisseh, Beirut
P.O Box 11-961
Lebanon

Tel: +961 (0) 1 364 700
Tel: +961 (0) 1 364 701
Fax: +961 (0) 1 367 087
Fax: +961 (0) 1 369 820
www.deloitte.com

BT 33244/DTT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Holcim (Liban) S.A.L.
Beirut, Lebanon

Opinion

We have audited the accompanying financial statements of Holcim (Liban) S.A.L. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with *the Code of Ethics of the Lebanese Association of Certified Public Accountants* that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter

As indicated in Note 3 to the financial statements, the Company opted not to present consolidated financial statements with its subsidiaries and affiliates as at December 31, 2018 even though not all exemptions for non-consolidating as required by IFRS 10 "Consolidated Financial Statements" are met.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matter?
Allowance impairment for expected credit loss on trade receivables in connection with first-time adoption of IFRS9: Financial Instruments	
As at December 31, 2018 the Company's trade receivables gross balance amounted to LBP70billion and the related allowance for expected credit loss amounted to LBP25.2billion as discussed in Note 6. The allowance for expected credit loss in respect of trade receivables represents management's best estimate at the financial position date. Calculation of expected credit loss in connection with IFRS9 is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The assessment of historical default rates, forecast economic conditions and expected credit loss is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Due to the inherently judgmental nature of the computation of the expected credit loss for trade receivables, there is a risk that the amount of impairment may be misstated. The expected credit loss for trade receivables is estimated by management through the application of judgment and the use of subjective assumptions. Due to the significance of trade receivables and related estimation uncertainty associated with impairment determination, this is considered a key audit matter.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the impairment analysis. We updated our understanding of the Company's adoption of IFRS9, in addition, our work performed includes the below procedures: - Evaluate the appropriateness of key technical decisions and judgments made by the Company to ensure compliance with IFRS9 impairment requirements. - Evaluate the reasonableness of management's key judgements and estimates made in the ECL calculation, which include but not limited to the selection of methods, models, assumptions and data sources. - Evaluate the appropriateness and testing the mathematical accuracy of the ECL model applied. - Assessed the reasonableness of forward looking information incorporated into the impairment calculations.

Key audit matters (continued)	**How our audit addressed the key audit matter?**
Raw materials inventory	
At December 31 2018, the carrying amount of raw materials was LBP19.4billion as described in Note 7 which is significant in the context of the statement of financial position and requires significant levels of judgement and technical expertise for the determination of the quantities of raw materials.	External experts were used by the Company to determine the physical quantities of raw materials held, as a basis for determining the carrying amount of raw materials. We attended and observed the measurement of quantities by the experts. For measurements conducted at a date other than the financial position 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Beirut, Lebanon
April 24, 2019

Deloitte & Touche

ZOUHAIR I. CHAAR
Sworn - In Surveyor

مفـوض المراقبـة
الخبير زهير الشعار

HOLCIM (LIBAN) S.A.L.
STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Current Assets:			
Cash and cash equivalents	5	5,732,940	19,372,969
Accounts and notes receivable	6	55,070,185	60,584,628
Inventories	7	78,506,157	46,060,999
Dividends receivable	15	890,654	4,187,787
Other assets	8	16,040,263	16,368,725
Total current assets		156,240,199	146,575,108
Non-Current Assets:			
Notes receivable	6	12,120,981	11,770,424
Property, plant and equipment	9	168,165,027	178,609,123
Intangible assets	10	19,167,994	20,147,667
Investment properties	11	12,077,167	12,077,167
Investment in subsidiaries and affiliates	12	29,249,163	29,249,163
Total non-current assets		240,780,332	251,853,544
Total Assets		397,020,531	398,428,652
LIABILITIES			
Current Liabilities:			
Bank overdrafts	13	70,729,018	26,576,476
Accounts payable	14	46,515,776	32,346,115
Notes payable	16	450,380	450,380
Accrued expenses and other liabilities	17	14,450,702	25,101,715
Dividends payable	23	1,855,601	1,968,543
Deferred income		587,661	2,110,227
Current income tax liability	18	9,184,351	12,455,374
Provision for risk and charges	19	-	5,111,061
Total current liabilities		143,773,489	106,119,891
Non-current Liabilities:			
Loan from a subsidiary	15	12,060,000	12,060,000
Notes payable	16	2,402,023	2,852,403
Deferred tax liability	18	4,798,506	1,224,619
Provision for risk and charges	19	4,853,944	4,627,819
Retirement benefit obligations	20	6,104,858	6,126,692
Total non-current liabilities		30,219,331	26,891,533
Total Liabilities		173,992,820	133,011,424
EQUITY			
Capital	21	97,580,200	97,580,200
Legal reserve	22	32,527,000	52,300,812
Revaluation surplus	22	50,613,023	50,613,023
Retained earnings		42,307,488	64,923,193
Total Equity		223,027,711	265,417,228
Total Liabilities and Equity		397,020,531	398,428,652

The accompanying financial statements were approved for issue by the Board of Directors on April 17, 2019 and were signed on its behalf by:

Mr. Jamil Bou Haroun
Chief Executive Officer

Mr. Markus Herbst
Chief Financial Officer

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

HOLCIM (LIBAN) S.A.L.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Net sales	24	223,991,014	240,907,693
Cost of sales	25	(125,365,774)	(118,392,627)
Gross profit		98,625,240	122,515,066
Distribution expenses	25	(16,914,292)	(17,804,205)
General and administrative expenses	25	(23,189,554)	(24,632,021)
Allowance for credit loss on due from related parties	15	(3,095,904)	(988,889)
Allowance for credit loss on accounts receivable	6	(238,190)	(855,770)
Provision for obsolete inventory	7	(18,810)	(1,195,350)
Write-back of provision/(provision) for risk and charges, net	19	341,550	(5,315,216)
Finance cost, net	26	(5,285,241)	(1,788,347)
Net foreign exchange loss		(201,161)	(494,484)
Dividend income	15	3,955,685	8,689,760
Other income		49,599	3,455
		(44,596,318)	(44,381,067)
Profit before income tax		54,028,922	78,133,999
Income tax expense	18	(12,759,887)	(12,879,334)
Profit for the year		41,269,035	65,254,665
Other comprehensive income/(loss) for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations	20	260,420	(485,966)
Total other comprehensive income/(loss) for the year		260,420	(485,966)
Total comprehensive income for the year		41,529,455	64,768,699
Profit for the year (LBP)		41,269,035	65,254,665
Number of ordinary shares in issue		19,516,040	19,516,040
Basic/diluted earnings per share from profit attributable to the equity holders of the Company during the year (LBP)		2,115	3,344

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

HOLCIM (LIBAN) S.A.L.
STATEMENT OF CHANGES IN EQUITY

	Capital LBP'000	Legal Reserve LBP'000	Revaluation Surplus LBP'000	Retained Earnings LBP'000	Total LBP'000
Balance at January 1, 2017	97,580,200	52,300,812	50,613,023	74,110,014	274,604,049
Profit for the year	-	-	-	65,254,665	65,254,665
Remeasurement of defined benefit obligations	-	-	-	(485,966)	(485,966)
Dividends declared (Note 23)	-	-	-	(73,955,520)	(73,955,520)
Balance at December 31, 2017	97,580,200	52,300,812	50,613,023	64,923,193	265,417,228
Profit for the year	-	-	-	41,269,035	41,269,035
Remeasurement of defined benefit obligations	-	-	-	260,420	260,420
Transfer from legal reserve (Note 22)	-	(19,773,812)	-	19,773,812	-
Dividends declared (Note 23)	-	-	-	(83,918,972)	(83,918,972)
Balance at December 31, 2018	97,580,200	32,527,000	50,613,023	42,307,488	223,027,711

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

HOLCIM (LIBAN) S.A.L.
STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2018 LBP'000	2017 LBP'000
Cash flows from operating activities:			
Profit for the year		41,269,035	65,254,665
Adjustments for:			
Depreciation	9	17,600,707	17,622,067
Amortization	10	1,047,697	1,057,729
Provision for income tax expense	18	12,759,887	12,879,334
Dividend income		(3,955,685)	(8,689,760)
Allowance for credit loss on accounts receivable	6	238,190	855,770
Provision for obsolete inventory	7	18,810	1,195,350
Allowance for credit loss on due from related parties	15	3,095,904	988,889
(Write-back of provision)/provision for risk and charges, net	19	(341,550)	5,315,216
Provision for retirement benefit obligations	20	390,860	354,714
Operating cash flows before changes in working capital		72,123,855	96,833,974
Increase in trade and notes receivables		(1,275,995)	(1,982,177)
Increase in inventories		(32,463,968)	(4,784,000)
Decrease/(increase) in other assets		328,462	(4,554,784)
Net change in related parties balances		1,861,546	(805,376)
Increase/(decrease) in trade payables		15,480,892	(1,172,601)
Decrease in accrued expenses and other liabilities		(10,651,013)	(386,382)
(Decrease)/increase in deferred income		(1,522,566)	1,289,525
Decrease in notes payable		(450,380)	(499,106)
Benefit payments related to restructuring and other provisions	19	(4,543,386)	(2,058,424)
Income tax paid	18	(12,457,023)	(13,491,727)
Benefit payments related to retirement benefit obligations	20	(219,264)	(475,243)
Net cash generated from operating activities		26,211,160	67,913,733
Cash flows from investing activities:			
Acquisition of property, plant and equipment	9	(7,156,611)	(8,623,129)
Acquisition of intangible assets		(68,024)	-
Dividend received from subsidiaries		7,252,818	5,322,392
Net cash generated by/(used in) investing activities		28,183	(3,300,737)
Cash flows from financing activities:			
Increase in bank overdrafts		44,152,542	17,256,922
Dividends paid to shareholders	28	(84,031,914)	(74,854,552)
Net cash used in financing activities		(39,879,372)	(57,597,630)
Net (decrease)/increase in cash and cash equivalents		(13,640,029)	7,015,366
Cash and cash equivalents - Beginning of year		19,372,969	12,357,603
Cash and cash equivalents - End of year	5	5,732,940	19,372,969

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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 Dbayeh, 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 shares of the Company are listed on the Beirut Stock Exchange.

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

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

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

2.1 New and revised IFRSs that are effective for the current year

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

2.1.1 IFRS 9 Financial Instruments

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

The new standard, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*, contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment**: In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Management reviewed and assessed the Company's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets:

a) *Classification and measurement:*

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

b) *Impairment:*

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

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

- Cash at banks and related parties: The Company applied the general approach to recognize expected credit losses.
- Accounts receivable: The Company applied the simplified approach to recognize lifetime expected credit losses for its accounts receivable as required by IFRS 9.

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

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

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

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

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

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

2.1.2 IFRS 15 Revenue from Contracts with Customers

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

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

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

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment

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

2.1.3 Amendments to IAS 40 Investment Property:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive

2.1.4 IFRIC 22 Foreign Currency Transactions and Advance Consideration:

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

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

2.1.5 Other IFRSs and amendments

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

7. INVENTORIES

	December 31,	
	2018	2017
	LBP'000	LBP'000
Raw materials	19,392,662	9,351,552
Combustibles	19,608,789	11,541,116
Spare parts	19,003,937	17,071,782
Finished goods - cement	8,384,719	6,375,436
Work-in-progress	20,186,402	7,416,432
	86,576,509	51,756,318
Goods in transit	-	2,356,223
Less: Provision for obsolete inventory	(8,070,352)	(8,051,542)
	78,506,157	46,060,999

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

	2018	2017
	LBP'000	LBP'000
Balance at January 1	8,051,542	11,604,321
Provision set up during the year	18,810	1,195,350
Write-off	-	(4,748,129)
Balance at December 31	8,070,352	8,051,542

Inventory write-offs during 2017 represent provision for spare parts as at December 31, 2016 that were used during the year.

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

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

8. OTHER ASSETS

	December 31,	
	2018	2017
	LBP'000	LBP'000
Advances to suppliers	291,663	3,138,920
Prepayments	8,673,274	7,083,273
Advances to employees	1,654,507	1,422,252
National Social Security Fund receivables	2,880,083	2,418,175
Other receivables	2,540,736	2,306,105
	16,040,263	16,368,725

National Social Security Fund receivables represent medications reimbursements paid to employees by the Company to be collected from NSSF.

Refer also to Note 15 regarding prepayments.

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Industrial Machinery and Equipment	Vehicles	Furniture, Fixtures and Office Equipment	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cost:						
Balance at January 1, 2017	66,873,553	159,174,886	442,973,542	3,923,357	8,113,616	681,058,954
Additions	-	387,729	8,134,879	100,521	-	8,623,129
Disposals	-	-	-	(120,052)	-	(120,052)
Balance at December 31, 2017	66,873,553	159,562,615	451,108,421	3,903,826	8,113,616	689,562,031
Additions	-	271,510	6,695,270	189,831	-	7,156,611
Disposals	-	-	(394,179)	(50,047)	-	(444,226)
Balance at December 31, 2018	66,873,553	159,834,125	457,409,512	4,043,610	8,113,616	696,274,416
Accumulated Depreciation:						
Balance at January 1, 2017	-	(152,376,492)	(329,269,223)	(3,712,041)	(8,093,137)	(493,450,893)
Charge for the year (Note 25)	-	(669,289)	(16,873,968)	(73,096)	(5,714)	(17,622,067)
Disposals	-	-	-	120,052	-	120,052
Balance at December 31, 2017	-	(153,045,781)	(346,143,191)	(3,665,085)	(8,098,851)	(510,952,908)
Charge for the year (Note 25)	-	(687,141)	(16,819,555)	(89,792)	(4,219)	(17,600,707)
Disposals	-	-	394,179	50,047	-	444,226
Balance at December 31, 2018	-	(153,732,922)	(362,568,567)	(3,704,830)	(8,103,070)	(528,109,389)
Net Book Value:						
December 31, 2018	66,873,553	6,101,203	94,840,945	338,780	10,546	168,165,027
December 31, 2017	66,873,553	6,516,834	104,965,230	238,741	14,765	178,609,123

The Company's property, plant and equipment are stated at "deemed cost" which represents the revaluation amount as determined by an independent revaluation carried out in 1997 based on market values at December 31, 1993. The revaluation resulted in an increase in the value of property, plant and equipment of LLBP56.24billion over their carrying amount (Note 22).

Depreciation expense is included in cost of sales in the amount of LBP16.47billion (2017: LBP16.39billion), distribution expenses in the amount of LBP1billion (2017: LBP1.19billion) and general and administrative expenses in the amount of LBP106million (2017: LBP41million).

10. INTANGIBLE ASSETS

	Extraction Rights	Client List	Software	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Cost:				
Balance as at January 1, and December 31, 2017	33,520,569	58,340,250	570,473	92,431,292
Additions	-	-	68,024	68,024
Balance as at December 31, 2018	33,520,569	58,340,250	638,497	92,499,316
Accumulated Amortization:				
Balance as at January 1, 2017	(12,330,263)	(58,340,250)	(555,383)	(71,225,896)
Charge for the year (Note 25)	(1,057,729)	-	-	(1,057,729)
Balance as at December 31, 2017	(13,387,992)	(58,340,250)	(555,383)	(72,283,625)
Charge for the year (Note 25)	(1,027,856)	-	(19,841)	(1,047,697)
Balance as at December 31, 2018	(14,415,848)	(58,340,250)	(575,224)	(73,331,322)
Net Book Value:				
December 31, 2018	19,104,721	-	63,273	19,167,994
December 31, 2017	20,132,577	-	15,090	20,147,667

The Company acquired a client list from a previous competitor under a non-compete agreement.

Refer also to Note 15 regarding extraction rights.

11. INVESTMENT PROPERTIES

Investment properties consist of 42 plots of land not used in the Company's operations segregated by location as follows:

	December 31, 2018	December 31, 2017
	LBP'000	LBP'000
Property Location		
Hery	9,216,735	9,216,735
Kefraya	1,711,916	1,711,916
Hamat	1,148,516	1,148,516
	12,077,167	12,077,167

An independent valuation of the Company's investment properties was performed by an independent expert to determine the fair value of the investment properties at December 31, 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 LBP37billion and has not fluctuated materially since then.

12. INVESTMENT IN SUBSIDIARIES AND AFFILIATES

	Country of incorporation	Percentage of Legal Ownership %	Cost of Investment LBP'000	Provision for Impairment of Investment LBP'000	Net Investment LBP'000
Boğaz Endũtrive Madencilik	Turkish republic Limited of North Cyprus	100	19,342,709	-	19,342,709
Société Libanaise des Ciments Blancs S.A.L.	Lebanon	65.99	9,867,454	-	9,867,454
Holcim Beton S.A.L. (refer to Note 15)	Lebanon	97.82	5,604,406	(5,604,406)	-
Energis Liban S.A.L.	Lebanon	100	352,441	(313,441)	39,000
EDP Centre S.A.R.L. (under liquidation)	Lebanon	91.8	151	(151)	-
Other affiliate (SCI)	Lebanon	-	-	-	-
			35,167,161	(5,917,998)	29,249,163

13. BANK OVERDRAFTS

Bank overdrafts as at December 31, 2018 and 2017 are short-term in nature, subject to commercial rates and denominated in U.S. Dollar.

Interest expense incurred on bank overdrafts amounted to LBP4billion during 2018 (LBP1.2billion during 2017) (Note 26).

14. ACCOUNTS PAYABLE

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Trade payables	33,795,639	18,314,747
Due to related parties (Note 15)	12,720,137	14,031,368
	46,515,776	32,346,115

Trade payables consist of trading suppliers' balances, mostly denominated in U.S. Dollars, Euro and Lebanese Pounds amounting to LBP28.5billion (LBP10.7billion in 2017), LBP4.8billion (LBP7.2billion in 2017) and LBP464million (LBP315million in 2017) respectively. These accounts are current and non-interest bearing.

15. RELATED PARTY BALANCES AND TRANSACTIONS

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

Balances with related parties are as follows:

	December 31, 2018		December 31, 2017	
	Due From	Due To	Due From	Due To
	LBP'000	LBP'000	LBP'000	LBP'000
Subsidiaries and affiliates:				
Société Libanaise des Ciments Blancs S.A.L.	249,869	6,347,775	2,712,235	5,935,404
Holcim Beton S.A.L.	14,074,520	-	15,467,616	-
Boğaz Endűtri ve Madencilik Limited	653,652	-	2,850	-
Energis Liban S.A.L.	100,190	-	97,513	-
EDP Centre S.A.R.L. (Under liquidation)	1,600,660	-	1,600,660	-
Other affiliate	-	-	-	660,934
	16,678,891	6,347,775	19,880,874	6,596,338
Entities associated with the company:				
LafargeHolcim Energy Solutions S.A.S.	-	3,329,056	-	3,379,302
LafargeHolcim Middle East & Africa IT Service Center	-	143,884		32,246
Egypt Sack S.A.E	-	-	-	336,534
Holcim Group Services Ltd	-	559,413	-	608,980
LafargeHolcim Trading Ltd	-	336,640	-	296,161
Holcim Technology Ltd	-	1,942,786	-	2,449,410
Carriere Jieh S.A.L.	425,388	-	418,192	-
Other related parties	239,805	60,583	217,795	332,397
	665,193	6,372,362	635,987	7,435,030
Less: allowance for impairment:				
Holcim Beton S.A.L.	(9,621,330)	-	(6,532,622)	-
EDP Centre S.A.R.L. (under liquidation)	(1,600,660)	-	(1,600,660)	-
Carriere Jieh S.A.L.	(425,388)	-	(418,192)	-
	(11,647,378)	-	(8,551,474)	-
	5,696,706	12,720,137	11,965,387	14,031,368

Additional impairment for due from related parties amounting to LBP3billion (LBP989million in 2017), related to Holcim Beton S.A.L., a subsidiary, was recorded in the statement of profit or loss and other comprehensive income. The General Assembly meeting of this subsidiary dated July 20, 2018 resolved to temporarily discontinue the Company's operations and lease or sale part of its property and equipment.

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

	December 31,	
	2018	2017
	LBP'000	LBP'000
Loan from a subsidiary:		
Société Libanaise des Ciments Blancs S.A.L.	12,060,000	12,060,000
Accrued interest payable	6,347,775	5,935,401
	18,407,775	17,995,401

The subsidiary has no intention to demand repayment of the principal amount of LBP12billion for at least 12 months from the financial position date and, accordingly, it was classified as non-current. The loan was granted in 2012 and subject to an effective interest rate of 5% starting April 1, 2018 (3.6% during 2017). Accrued interest payable was classified as current.

Interest expense for the year amounted to LBP995million (LBP697million during 2017) and was recorded under "Finance cost, net" in the statement of profit or loss (Note 26).

During the year, the Company carried out the following major transactions with related parties:

	2018	2017
	LBP'000	LBP'000
Transactions with subsidiaries and affiliates:		
Sale of goods	856,383	1,023,695
Income from services	1,122,073	1,261,226
Interest expense on loan (Note 26)	994,609	697,072
Service fees	63,946	173,812
Purchase of clinker	-	1,130,954
Recharged costs to subsidiaries	4,311,191	4,376,617
Interest income on notes receivable	467,455	514,558
Rent expense	403,926	467,865
Transactions with entities associated with the Company:		
Purchase of goods	40,020,711	35,360,665
Service fees, franchise and administrative support (Note 25)	11,332,393	14,606,640
Income from services	337,831	495,655

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

Recharged costs to subsidiaries represent salaries, rent, combustibles and other charges recharged to the Company's subsidiaries.

	2018	2017
	LBP'000	LBP'000
Key management remuneration:		
Key management personnel	2,450,766	2,192,014
Dividend income from subsidiaries:		
Boğaz Endűtri ve Madencilik Limited	-	4,570,740
Société Libanaise des Ciments Blancs S.A.L.	3,955,685	4,119,020
	3,955,685	8,689,760

An amount of LBP891million (2017: LBP4.2billion) was outstanding as dividend receivable at the financial position date.

Notes receivable as at December 31, 2018 (Note 6) include an aggregate amount of LBP8.4billion (LBP9.3billion as at December 31, 2017) from an affiliate, split between LBP1.1billion as current and LBP7.3billion as non-current (LBP989million and LBP8.4billion respectively as at December 31, 2017). Related interest income on these notes receivable amounted to LBP346million during 2018 (LBP515million during 2017) recorded under "Finance cost – net" in the statement of profit or loss.

Extraction rights under intangible assets in the net carrying value of LBP19.1billion as at December 31, 2018 (LBP20.1billion as at December 31, 2017) were acquired from an affiliate and paid for in advance and are being amortized over the life of the lease agreements (Refer to Note 10).

Advances to an affiliate in the amount of LBP7.5billion as at December 31, 2018 (LBP6.7billion as at December 31, 2017) represent prepaid rent for land and premises recorded as prepayments under "Other assets" in the statement of financial position (Note 8).

16. NOTES PAYABLE

During 2015, the Company reached an agreement with the National Social Security Fund ("NSSF") to schedule the settlement of a long outstanding disputed assessment of LBP4.74billion (Note 27). An amount of LBP237million was paid upfront while the remaining balance of LBP4.5billion 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%.

These notes payable are denominated in Lebanese Pounds and their maturity is as follows:

	December 31,	
	2018	2017
	LBP'000	LBP'000
Within 1 year	450,380	450,380
Between 1 year and 5 years	2,251,897	2,251,897
Over 5 years	150,126	600,506
	2,852,403	3,302,783

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	2018	2017
	LBP'000	LBP'000
Accrued rebates	7,616,356	13,864,256
Accrued expenses	3,671,535	4,782,417
Advances from customers	530,248	568,074
Value added tax payable	656,158	2,778,907
Tax on salaries payable	296,656	265,012
Other tax liabilities	1,679,749	2,843,049
	14,450,702	25,101,715

Other tax liabilities include mainly non-resident tax and tax on extraction rights and cement production.

Other taxes for the years 2018 and 2017 include mainly tax on production and extraction and recorded under cost of sales in the statement of profit or loss.

18. INCOME TAX EXPENSE

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

	2018	2017
	LBP'000	LBP'000
Profit before tax	54,028,922	78,133,999
Income tax expenses at statutory rate of 17% in 2018 (15.64% in 2017)	9,184,919	12,226,643
Tax effect of expenses not deductible for tax purposes:		
Provision for sales discounts	40,235	89,252
Provision for obsolete inventory	25,091	191,706
Provision for risk and charges	83,831	843,943
Allowance for credit loss on accounts receivables	41,716	132,270
Allowance for credit loss on due from related parties	525,081	154,662
Other non-deductible expenses	729,651	345,017
Tax effect of revenues not taxable for tax purposes:		
Dividend income	(560,435)	(1,359,800)
Reversal of sales discounts	(884,089)	(168,319)
Total current tax	9,186,000	12,455,374
Change in deferred tax liability (see below)	3,573,887	142,132
Adjustment in respect of prior years' tax	-	281,828
Income tax expenses	12,759,887	12,879,334

The Company's tax returns for the years 2015 to 2018 and VAT declarations for the years 2014 to 2018 remain subject to examination and final assessment by the tax authorities and any additional tax liability depends on the outcome of such a review.

The Company's records are still subject to examination by the National Social Security Fund for the years 2016 to 2018. The result of this examination cannot be determined at the present.

Movement in the current income tax liability is as follows:

	2018 LBP'000	2017 LBP'000
Balance brought forward	12,455,374	13,209,899
Provision for the year	9,186,000	12,455,374
Payments during the year	(12,457,023)	(13,209,899)
	9,184,351	12,455,374

Net deferred tax liability comprises the following:

	2018 LBP'000	2017 LBP'000
Deferred tax liability:		
Tax on land revaluation surplus (Note 22)	5,623,674	5,623,674
Deferred tax asset:		
Tax on allowance for credit loss	-	(1,859,983)
Tax on provision for obsolete inventory	-	(1,248,311)
Tax on environmental restoration provision	(825,168)	(717,494)
Tax on restructuring provision	-	(105,923)
Others	-	(467,344)
	(825,168)	(4,399,055)
Net deferred tax liability	4,798,506	1,224,619

Movement in the deferred tax liability is as follows:

	2018 LBP'000	2017 LBP'000
Balance at January 1,	1,224,619	1,082,487
Addition/(write-back)	3,573,887	(142,132)
Balance at December 31,	4,798,506	1,224,619

19. PROVISION FOR RISK AND CHARGES

Provision for risk and charges is split as follows:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Current:		
Restructuring (a)	-	683,196
Others (b)	-	4,427,865
	-	5,111,061
Non-current:		
Environmental restoration (c)	4,853,944	4,627,819
	4,853,944	4,627,819
	4,853,944	9,738,880

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

2018	Restructuring LBP'000	Others LBP'000	Environmental restoration LBP'000	Total LBP'000
Balance at January 1	683,196	4,427,865	4,627,819	9,738,880
Additions	-	-	226,125	226,125
Settlements	(115,521)	(4,427,865)	-	(4,543,386)
Write-back	(567,675)	-	-	(567,675)
Balance at December 31	-	-	4,853,944	4,853,944

2017	Restructuring LBP'000	Others LBP'000	Environmental restoration LBP'000	Total LBP'000
Balance at January 1	2,664,172	-	3,740,468	6,404,640
Additions	-	4,427,865	887,351	5,315,216
Settlements	(2,058,424)	-	-	(2,058,424)
Adjustments	77,448	-	-	77,448
Balance at December 31	683,196	4,427,865	4,627,819	9,738,880

(a) 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 December 31, 2015. The Company took a provision of LBP4.95billion in this respect during 2015. During 2018, the Company decided to stop the programme, accordingly the remaining provision amounting to LBP568million was written-back and recorded in the statement of profit or loss.

(b) Other provisions

During 2017, the Company's records were subject to review by the income tax department in respect of the fiscal years 2012 to 2014. The tax assessment amounted to LBP5billion, out of which an amount of LBP4.5billion was paid by the Company during February 2018 after reduction of tax penalties and charged to "Other provisions" to the extent of LBP4.4billion set up during the year ended December 31, 2017.

(c) Environmental restoration

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

20. RETIREMENT BENEFIT OBLIGATIONS

The Company is subject to the National Social Security Fund defined benefit plan which is in the nature of an end-of-service indemnity for the benefit of its employees.

	2018	2017
	LBP'000	LBP'000
Balance at January 1	6,126,692	5,761,255
Current service cost	55,583	48,260
Interest expense	335,277	306,454
Total amount recognized in profit or loss	390,860	354,714
Remeasurements		
Actuarial changes arising from changes in assumptions	(659,608)	-
Experience losses	399,188	485,966
Total amount recognized in other comprehensive (income)/loss	(260,420)	485,966
Transfer from a subsidiary	66,990	-
Benefit payments during the year	(219,264)	(475,243)
Balance at December 31	6,104,858	6,126,692

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the financial statements as at December 31, 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting rates have been calculated based on the following actuarial assumptions:

	2018	2017
Discount rate	5.3%	5.5%
Expected rate of return on contributions	5.0%	5.0%
Salary growth rate	4.0%	4.0%
Mortality rate	None	None
Turnover rate	None	None
Retirement age	Earliest of 64 or completion of 35 years of contribution	Earliest of 64 or completion of 20 years of contribution

21. CAPITAL

At December 31, 2018 and 2017, the Company's capital amounting to LBP97.58billion consists of 19,516,040 shares with a nominal value of LBP5000 each, fully paid.

22. RESERVES

Legal reserve

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

Legal reserve as at December 2017 exceeded one third of the Company's capital due to the decrease in capital during 2016 as mentioned under Note 21. During 2018, the Ordinary General Assembly meeting dated July 3, 2018 resolved to reduce the Company's legal reserve and transferring an amount of LBP19.8billion to retained earnings thereby reducing legal reserve balance to the equivalent of one third of the Company's capital.

Revaluation Surplus

Revaluation surplus of LBP50.61billion represents the amount of the revaluation reserve net of tax of LBP5.62billion 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 LBP5.62billion is carried in respect of this temporary difference (Note 18).

23. DIVIDENDS DISTRIBUTION

On July 3, 2018, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP84billion (LBP4,300 per share).

On July 27, 2017, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP74billion (LBP3,789 per share).

An amount of LBP1.9billion is outstanding as dividend payable as at December 31, 2018 (LBP2billion as at December 31, 2017).

24. NET SALES

	Year Ended December 31, 2018 LBP'000	Year Ended December 31, 2017 LBP'000
Cement	234,118,790	255,419,204
Discounts	(10,127,776)	(14,511,511)
	223,991,014	240,907,693

25. EXPENSES BY NATURE

	2018			
	Cost of Sales LBP'000	Distribution Expenses LBP'000	General and Administrative Expenses LBP'000	Total LBP'000
Combustibles	54,012,100	-	-	54,012,100
Raw materials	25,421,671	186,122	-	25,607,793
Salaries and related charges	13,276,391	1,709,521	7,322,431	22,308,343
Spare parts, consumables and maintenance expense	13,014,356	505,202	169,426	13,688,984
Depreciation charge (Note 9)	16,472,198	1,022,176	106,333	17,600,707
Franchise and administrative support expenses (Note 15)	-	-	11,065,181	11,065,181
Transportation	-	7,308,617	-	7,308,617
Packing materials	-	5,244,044	-	5,244,044
Other taxes (Note 17)	13,641,898	600	718,176	14,360,674
Contractual employees	1,445,468	538,966	33,692	2,018,126
Rent charges	486,817	35,049	386,031	907,897
Other third party services	847,566	246,441	37,423	1,131,430
Amortization charge (Note 10)	1,027,856	-	19,841	1,047,697
Professional fees	25,228	21,935	483,873	531,036
Changes in inventories of finished goods and work-in-progress	(14,305,775)	-	-	(14,305,775)
Other expenses	-	95,619	2,847,147	2,942,766
	125,365,774	16,914,292	23,189,554	165,469,620

	2017			
	Cost of Sales LBP'000	Distribution Expenses LBP'000	General and Administrative Expenses LBP'000	Total LBP'000
Combustibles	43,517,011	-	-	43,517,011
Raw materials	24,520,223	216,099	-	24,736,322
Salaries and related charges	12,732,157	1,669,510	8,015,459	22,417,126
Spare parts, consumables and maintenance expenses	15,062,798	527,053	92,684	15,682,535
Depreciation charge (Note 9)	16,390,999	1,190,277	40,791	17,622,067
Franchise and administrative support expenses (Note 15)	-	-	12,204,467	12,204,467
Transportation	-	8,125,233	-	8,125,233
Packing materials	-	5,295,032	-	5,295,032
Other taxes (Note 17)	5,449,422	4,266	587,763	6,041,451
Clinker	1,595,429	-	-	1,595,429
Contractual employees	1,393,445	457,275	19,003	1,869,723
Rent charges	626,654	88,867	362,459	1,077,980
Other third party services	995,731	195,532	82,078	1,273,341
Amortization charge (Note 10)	1,057,729	-	-	1,057,729
Professional fees	2,681	6,741	362,777	372,199
Changes in inventories of finished goods and work-in-progress	(5,032,678)	-	-	(5,032,678)
Other expenses	81,026	28,320	2,864,540	2,973,886
	118,392,627	17,804,205	24,632,021	160,828,853

Franchise fee paid to Holcim Group represents 3.5% of net sales of Holcim Liban S.A.L. and its subsidiaries.

Salaries and related charges consist of the following:

	Year Ended December 31,	
	2018 LBP'000	2017 LBP'000
Salaries	14,362,150	13,854,060
Costs recharged from a related party	1,359,769	1,898,985
Transportation	484,256	480,512
National Social Security contributions	2,083,935	2,025,429
Other benefits	4,018,233	4,158,140
	22,308,343	22,417,126

26. FINANCE COSTS - NET

	Year Ended December 31, 2018 LBP'000	2017 LBP'000
Finance costs:		
Interest expense on a loan granted from a subsidiary (Note 15)	994,609	697,072
Bank overdrafts (Note 13)	4,010,738	1,215,900
Other charges	884,320	650,584
	5,889,667	2,563,556
Finance income:		
Interest income on bank accounts	6,138	56,128
Interest income on notes receivable	598,288	719,081
	604,426	775,209
Finance cost - net	5,285,241	1,788,347

27. COMMITMENTS AND CONTINGENCIES

The Company had the following commitments and contingent liabilities as at December 31, 2018 and 2017:

	Year Ended December 31, 2018 LBP'000	2017 LBP'000
Letters of credit	-	43
Bank guarantees	5,580,543	5,588,804

Legal claims

The Company's accounting records were examined by the National Social Security Fund ("NSSF") for the period from January 1, 1982 to September 30, 2007. The review resulted in an assessment and in additional subscriptions due of LBP5.3billion. 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 (Note 16).

(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.

The period up to April 2016 was cleared by the National Social Security Fund.

The Company is also defendant in some legal cases in front of the labor court, in addition to other civil and penal cases within the normal course of business, the outcome of which is still uncertain as these cases are still under follow up.

28. STATEMENT OF CASH FLOWS

The following non-cash transactions were excluded from the statement of cash flows during 2018:

- Dividends declared not yet paid amounting to LBP112million.
- Dividends income not yet received amounting to LBP3.3billion.
- Retirement benefit obligations against related parties accounts amounting to LBP67million.

The following non-cash transactions were excluded from the statement of cash flows during 2017:

- Dividends declared not yet paid amounting to LBP899million.
- Dividends income not yet received amounting to LBP3.4billion.
- Provision for risk and charges against inventory amounting to LBP77million.

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

29. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or procedures during the years ended 2018 and 2017. Equity comprises capital, reserves and retained earnings, and is measured at LBP223billion as at December 31, 2018 (2017: LBP265billion).

30. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

(a) Fair Values of Financial Assets and Liabilities:

The carrying book values of financial assets and liabilities are not materially different from their fair values applicable at the reporting date, except for investment properties as mentioned in Note 11.

(b) Credit Risk:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets which potentially subject the Company to credit risk consist mainly of cash at banks and accounts receivable. The Company's liquid funds are placed with prime banks. As shown in Note 6, concentration of credit risk exists whereby 30 customers represent 67% of total trade receivables as at December 31, 2018 (33 customers represent 67% as at December 31, 2017).

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

(c) Liquidity Risk:

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

The table below summarizes the maturities of the Company's financial assets and liabilities at December 31, 2018 and 2017, based on contractual payment dates and current market interest rates.

	December 31, 2018			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets				
Cash and cash equivalents	5,732,940	-	-	5,732,940
Accounts and notes receivable	42,949,204	10,589,561	1,531,420	55,070,185
Dividends receivable	890,654	-	-	890,654
Other assets	4,195,243	2,880,083	-	7,075,326
	53,768,041	13,469,644	1,531,420	68,769,105
Financial Liabilities				
Bank overdrafts	70,729,018	-	-	70,729,018
Accounts payable	46,515,776	-	-	46,515,776
Notes payable	450,380	2,251,897	150,126	2,852,403
Dividends payable	1,855,601	-	-	1,855,601
Loan from a subsidiary	-	12,060,000	-	12,060,000
Accrued expenses and other liabilities	7,616,356	-	-	7,616,356
	127,167,131	14,311,897	150,126	141,629,154

	December 31, 2017			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets				
Cash and cash equivalents	19,372,969	-	-	19,372,969
Accounts and notes receivable	48,814,204	7,840,935	3,929,489	60,584,628
Dividends receivable	4,187,787	-	-	4,187,787
Other assets	3,728,357	2,418,175	-	6,146,532
	76,103,317	10,259,110	3,929,489	90,291,916
Financial Liabilities				
Bank overdrafts	26,576,476	-	-	26,576,476
Accounts payable	32,346,115	-	-	32,346,115
Notes payable	450,380	2,251,897	600,506	3,302,783
Dividends payable	1,968,543	-	-	1,968,543
Loan from a subsidiary	-	12,060,000	-	12,060,000
Accrued expenses and other liabilities	13,864,256	-	-	13,864,256
	75,205,770	14,311,897	600,506	90,118,173

(d) Market Risk:

Interest Rate Risk:

The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest earning assets and interest bearing liabilities and related interest amounts. The Company's interest bearing assets are notes receivable which are subject to fixed interest rates. The Company's bank overdrafts are subject to floating interest rates whereas the loan from a subsidiary and notes payable are subject to fixed interest rates.

Currency Risk:

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

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar, Swiss Franc ("CHF") and the Euro. Hence, exposures to exchange rate fluctuations arise. The exchange rate of the U.S. Dollar has been stable against the Lebanese Pounds since many years. The distribution of monetary assets and monetary liabilities among foreign currencies are shown in Notes 5, 6, 13, 14, 15, 16 and 23.

31. COMPARATIVE FIGURES

During 2018, certain prior year information were reclassified to conform with current year presentation, in particular the presentation of the below:

Nature	Reclassification From	Reclassification To	LBP'000
Amortization	General and administrative expense	Cost of sales	1,057,729

Such reclassifications do not affect previously reported result or equity.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2018 were approved and authorized for issue on April 17, 2019 by the Board of Directors.