SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Société Libanaise des Ciments
Blancs S.A.L.
Chekka, Lebanon

Adverse Opinion

We have audited the accompanying financial statements of Société Libanaise des Ciments Blancs S.A.L. (the "Company"), which comprise the statement of financial position as at December 31, 2020, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not present fairly the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

(a) As explained in note 3, the Company has not applied the requirements of IAS 29 'Financial Reporting in Hyperinflationary Economies' in the preparation of the financial statements for the year ended December 31, 2020. IAS 29 requires that the financial statements, and corresponding figures for previous periods, of an entity with a functional currency that is hyperinflationary, to be stated in the terms of the measuring unit current at the end of the reporting period. Had the Company applied the requirements of IAS 29, many of the elements of the accompanying separate financial statements, including disclosures, would have been significantly impacted. The effects on the separate financial statements of this departure have not been determined.

(b) Cash and cash equivalents which are carried in the statement of financial position at LBP5.5billion (2019: LBP4.4billion) includes balances with Lebanese banks of LBP5.4billion (2019: LBP4.billion). Management has not stated these balances with banks net of an allowance for expected credit losses which takes into account the significant deterioration in credit quality since initial recognition which has arisen as a result of the continuing economic crisis in Lebanon and the government default on Eurobonds, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.

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

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. Except for the matters described in the Basis for Adverse Opinion section of our report, we have determined that there are no other key audit matters to communicate in our report.

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

The Board of Directors and those charged with governance (referred to hereafter as "management") are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Beirut, Lebanon
July 30, 2021

Deloitte & Touche
Deloitte & Touche

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

ASSETS	Notes	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Current Assets:			
Cash and cash equivalents	5	5,433,905	4,323,977
Accounts receivable	6	4,610,064	5,999,883
Inventories	7	5,191,046	5,028,376
Other assets	8	356,493	168,501
Total current assets		15,591,508	15,520,737
Non-Current Assets:			
Property and equipment	9	9,780,298	10,548,539
Loan to the parent company	12	12,060,000	12,060,000
Total non-current assets		21,840,298	22,608,539
Total Assets		37,431,806	38,129,276
LIABILITIES			
Current Liabilities:			
Accounts payable	10	1,980,647	5,326,203
Accrued expenses and other liabilities	11	1,538,114	927,803
Current income tax liability	14	739,254	339,254
Deferred income		183,528	389,822
Total current liabilities		4,441,543	6,983,082
Non-current Liabilities:			
Provision for risk and charges		45,225	45,225
Retirement benefit obligations	13	675,087	954,859
Deferred tax liability	14	445,632	445,632
Total non-current liabilities		1,165,944	1,445,716
Total liabilities		5,607,487	8,428,798
EQUITY			
Capital	15	13,500,000	13,500,000
Share premium		2,656	2,656
Legal reserve	16	4,500,000	4,500,000
Other reserve	16	4,010,692	4,010,692
Re-measurement of defined benefit obligations	13	631,817	429,042
Retained earnings		9,179,154	7,258,088
Total equity		31,824,319	29,700,478
Total Liabilities and Equity		37,431,806	38,129,276

The accompanying financial statements were approved for issue by the Board of Directors on June 24, 2021 and were signed on its behalf by:

Mr. Jamil Bou Haroun
Chief Executive Officer

Mr. Mario Dib
Chief Financial Officer

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2020 LBP'000	2019 LBP'000
Net sales	18	12,409,978	14,424,717
Cost of sales	19	(9,105,420)	(10,665,149)
Gross profit		3,304,558	3,759,568
Distribution expenses	19	(817,017)	(794,707)
General and administrative expenses	19	(727,191)	(862,133)
Allowance for credit loss on accounts receivable	6	(52,762)	-
(Provision)/write-back of provision for obsolete inventory	7	(125,953)	57,173
Write-back of provision for risk and charges		-	7,000
Finance income, net	20	739,973	1,286,863
Net foreign exchange loss		(542)	(5,057)
		(983,492)	(310,861)
Profit before income tax		2,321,066	3,448,707
Income tax expense	14	(400,000)	(339,254)
Profit for the year		1,921,066	3,109,453
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurment of defined benefit obligations	13	202,775	93,783
Total other comprehensive income for the year		202,775	93,783
Total comprehensive income for the year		2,123,841	3,203,236
Profit for the year (LBP'000)		1,921,066	3,109,453
Number of ordinary shares in issue		9,000,000	9,000,000
Earnings per share from profit attributable to the equity holders of the Company during the year (LBP)		213	345

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Chief Executive Officer

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THE ACCOMPANYING NOTES FORM AN INTEGRAL
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SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
STATEMENT OF CHANGES IN EQUITY

	Capital LBP'000	Share Premium LBP'000	Legal Reserve LBP'000	Other Reserve LBP'000	Re-measurement of Defined Benefit Obligations LBP'000	Retained Earnings LBP'000	Total LBP'000
Balance - January 1, 2019	13,500,000	2,656	4,500,000	4,010,692	335,259	8,648,635	30,997,242
Total comprehensive income for the year	-	-	-	-	93,783	3,109,453	3,203,236
Dividend declared (Note 17)	-	-	-	-	-	(4,500,000)	(4,500,000)
Balance at December 31, 2019	13,500,000	2,656	4,500,000	4,010,692	429,042	7,258,088	29,700,478
Total comprehensive income for the year	-	-	-	-	202,775	1,921,066	2,123,841
Balance at December 31, 2020	13,500,000	2,656	4,500,000	4,010,692	631,817	9,179,154	31,824,319

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

	Notes	Year Ended December 31, 2020 LBP'000	2019 LBP'000
Cash flows from operating activities			
Profit for the year		1,921,066	3,109,453
Adjustments for:			
Depreciation	9	768,241	761,691
Provision for income tax expense	14	400,000	339,254
Provision for retirement benefit obligations	13	31,784	40,564
Allowance for credit loss on accounts receivable	6	52,762	-
Write-back of provision for risk and charges		-	(7,000)
Provision/(write-back of provision) for obsolete inventory	7	125,953	(57,173)
		3,299,806	4,186,789
Operating cash flow from changes in working capital			
(Increase)/decrease in inventories		(288,623)	1,186,249
Decrease/(increase) in trade receivables		694,474	(20,617)
(Increase)/decrease in other assets		(187,992)	38,512
Increase/(decrease) in trade payables		326,815	(732,961)
Increase/(decrease) in accrued expenses and other liabilities		610,311	(210,117)
Net change in the related parties balances		(3,029,788)	5,232,317
(Decrease)/increase in deferred income		(206,294)	184,880
Benefit payments related to retirement benefit obligations	13	(108,781)	(74,190)
Payments of provision for risk and charges		-	(243,000)
Income tax paid	14	-	(1,324,652)
Net cash generated from operating activities		1,109,928	8,223,210
Cash flow from investing activities			
Acquisition of property and equipment	9	-	(970,133)
Net cash used in investing activities		-	(970,133)
Cash flow from financing activities			
Decrease in due to banks		-	(31,093)
Dividends paid to shareholders	17	-	(4,570,653)
Net cash used in financing activities		-	(4,601,746)
Net increase in cash and cash equivalents		1,109,928	2,651,331
Cash and cash equivalents - Beginning of year		4,323,977	1,672,646
Cash and cash equivalents - End of year	5	5,433,905	4,323,977

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The parent company is Holcim (Liban) S.A.L. The ultimate parent company is LafargeHolcim Ltd. and the address of its registered office is Zürcherstrasse 156, Jona, Switzerland.

The Macro Economic Environment

Since the last quarter of 2019, Lebanon has been witnessing severe events which had and continue to have a significant impact on the fiscal, monetary and economic outlook along with their related adverse impact on the business community as a whole, mainly: social unrest and business disruption across the country, series of downgrades to the level of default ranking for private and sovereign credit risk by all major rating agencies, restrictions on cash withdrawals and movement of funds in foreign currencies, non-ability to transfer funds from local bank accounts in foreign currency to foreign accounts with correspondent banks, and the Lebanese Republic default on its Eurobonds due on March 9, 2020 and then the decision to discontinue payments on all of its outstanding USD-denominated Eurobonds. The Eurobonds default precludes access to international markets for foreign financing, while the domestic banking system is severely impaired.

The dry up of the dollar inflow to the country, precipitated systemic failures across banking, debt and the exchange rate. A significant portion of the Lebanese banks holdings consist of sovereign lending, including deposits with Central Bank of Lebanon, which made banks unable to meet their dollar obligations to customers. A *de facto* restriction on outbound transfers and foreign currency cash withdrawals, were imposed to preserve the foreign currency left in the country. The difficulty in accessing foreign currencies led to the emergence of a parallel market to the official peg whereby the price to access foreign currencies increased, deviating significantly from the official peg of 1507.5 LBP/USD. This has resulted in an uncontrolled rise in prices driving high inflation and rise in the consumer price index, loss of confidence in the economy and deterioration in the economic fundamentals.

As a result of the above, new terms in the Lebanese market have emerged such as "Local Dollars" to designate assets and liabilities to be realized/settled in local US Dollars bank accounts that are subject to unofficial capital controls and "fresh funds" to designate those to be realized/settled in foreign currency cash and foreign currency bank accounts which are free from capital controls as they are sourced from foreign currency cash and/or from incoming international transfers. The need to differentiate is mostly due to the difference in the perceived real economic value.

The financial crisis has been intensified by the devastating explosion occurred on August 4, 2020 at the Beirut seaport causing severe property damages across a wide area of the capital along with a large number of casualties and the COVID-19 pandemic.

The Central Bank of Lebanon efforts to control foreign exchange and slow the loss of foreign currency reserves, led to multiple exchange rates, however unsustainable.

- Official exchange rate (1507.5 LBP/USD): currently maintained in banking transactions and providing foreign currency for the import of fuel oil, wheat, medicine and medical equipment.
- Platform rate - Sayrafa (currently at 3,900 LBP/USD): currently maintained to provide foreign currency for the import of essential food items and raw materials used in food industries. Also, this rate is currently used for LBP cash withdrawals in small amounts, from foreign currency deposits accounts, based on limits set by banks separately.
- Platform rate - Sayrafa (new) (currently at 12,000 LBP/USD): currently maintained to provide foreign currency for imports.

On April 30, 2020, the Lebanese Council of Ministers approved the Lebanese Government's Financial Recovery Plan (the Plan) which includes among other items, reviewing the peg policy, restructuring of the government debt, restructuring of the financial system and the banking sector, and international financial assistance. On May 1, 2020, a formal request for support from the International Monetary Fund (IMF) was addressed to the IMF and discussion is still ongoing at the date of issue of the consolidated financial statements with no progress made so far.

On December 31, 2020, the Minister of Finance issues decision # 893/1 which determines the principles of recording commercial transactions in foreign currencies and the recording of foreign currency differences resulting from converting monetary assets and monetary liabilities affected by these transactions. Among other things, the decision stipulates that assets acquired, liabilities settled, revenue generated and expenses incurred in foreign currencies should be recoded at their actual value settled or received in Lebanese Pound. At the end of each reporting period, monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the official exchange rate. Resulting exchange differences are recorded under assets or liabilities in the statement of financial position.

The Company's Financial particulars

The downgrade of sovereign credit rating, the increase in credit, liquidity, market and operational risks across all business sectors, the de-facto capital controls and restrictions on transfers of foreign currency overseas, the current and future possible changes to fiscal, economic and political conditions as well as changes to the legal and regulatory landscape in the Republic of Lebanon stemming from the above events, the declared Government's Recovery Plan and the non-formation of a new Lebanese Government since August 10, 2020 have led to significant uncertainties and the full range of effects on the Company's financial standing is unknown as of and beyond December 31, 2020.

Coronavirus (COVID-19) outbreak and its impact on the Company

With the rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Certain countries including Lebanon have adopted extraordinary and economically costly containment measures and have required companies to limit or even suspend normal business operations.

In the case of the Company, similar to many entities for which the operating environment is mostly in Lebanon, the impact of COVID-19 cannot be isolated and assessed independently from the economic crisis that the country is witnessing. COVID-19 is adding up to the severity of the economic downturn from a commercial, regulatory and risk perspective.

Future impairment charges, already subject to high uncertainty and volatility due to the severe crisis in Lebanon, may be subject to further uncertainty and volatility as a result of the COVID-19 pandemic and related containment and lock down measures. More adverse economic scenarios and macro-economic variables, with higher probabilities are considered for Expected Credit Losses financial impact.

It remains unclear how this will evolve, and the Company continues to monitor the situation closely.

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

2.1 New and amended IFRS that are effective for the current year

The Company has applied the following amendments to IFRS which became effective for annual periods beginning on or after January 1, 2020:

- *Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions*
  In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The amendments provide relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

- *IBOR Transition (Interest Rate Benchmark Reform)*
  In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (IBOR reform Phase 1). IBOR reform Phase 1 provides a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. Such reliefs permit to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied.

- *Annual Improvements to IFRS Standards 2018–2020 Cycle amending IFRS 1, IFRS 9, IFRS 16, and IAS 41.*

- *Amendments to References to the Conceptual Framework in IFRS Standards*
  The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

- *Amendments to IAS 3 Definition of a business*
  The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Portfolio of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

- *Amendments to IAS 1 and IAS 8 Definition of 'material'*
  The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The application of the above amendments to IFRS did not have a material impact on the Company's accounting policies, financial position or performance.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- *Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16*
  In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a risk-free rate ("RFR").
  IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to RFR. As a practical expedient, changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.
  Effective for annual periods beginning on or after 2021.

- *IFRS 3 — Reference to the Conceptual Framework*
  Amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
  Effective for annual periods beginning on or after 2022.

- *IFRS 9 — Financial Instruments*
  Amendments resulting from annual improvements to IFRS standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities).
  Effective for annual periods beginning on or after 2022.

- *IAS 16 — Property, Plant and Equipment*
  Amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
  Effective for annual periods beginning on or after 2022.

- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*
  Amendments specify that the 'cost of fulfilling' a contract comprises the 'cost that relate directly to the contract'.
  Effective for annual periods beginning on or after 2022.

- *Amendments to IAS 1 Presentation of Financial Statements*
  Amendments regarding the classification of liabilities as Current or Non-current.
  Effective for annual periods beginning on or after 2023.

- IFRS 17 *Insurance Contracts*
  IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2023.
  Effective for annual periods beginning on or after 2023.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
  Effective date deferred indefinitely. Adoption is still permitted.

The directors anticipate that these new standards, interpretations, and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendment, may have no material impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

B. Basis of Preparation:

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Lebanese Pounds (LBP) which is the Company's functional currency. All values are rounded to the nearest thousands, except when indicated otherwise.

Hyperinflation in Lebanon

IAS 29 '*Financial Reporting in Hyperinflationary Economies*' does not prescribe when hyperinflation arises, however it does provide characteristics of an economic environment of a country which indicate hyperinflation and allows judgement as to when restatement of financial statements becomes necessary. Characteristics of the economic environment of a country which indicate the existence of hyperinflation include:

- the cumulative inflation rate over three years approaches, or exceeds, 100%;
- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; and
- interest rates, wages, and prices are linked to a price index.

During the year ended December 31, 2020, the economic environment in Lebanon experienced the acceleration of inflation indices, a three-year cumulative inflation rate exceeding 100%, and the significant devaluation of the Lebanese Pound. Judgement applied, determine that there were sufficient characteristics in Lebanon to consider its economy hyperinflationary as of December 31, 2020.

The basic principles in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior period(s) should be restated into the same current measuring unit.

Restatements are made by applying a general price index. Items such as monetary items that are already stated at the measuring unit at the balance sheet are not restated. Other items are restated based on the change in the general price index between the date those items were acquired or incurred and the balance sheet date.

A gain or loss on the net monetary position is included in net income. The restated amount of a non-monetary position is reduced, in accordance with appropriate IFRSs when it exceeds its recoverable amount.

The Company was not able to apply the principles of IAS 29 in the preparation of these financial statements due to the following considerations: the significant divergence in market perception of the exchange rate in comparison to the official exchange rate; lack of consensus on the use of same general price index issued by governmental body and lack of any views of relevant regulators including taxation.

The principal accounting policies are set out below.

C. Inventories:

Inventories of materials of products, and consumables are stated at the lower of cost or net realizable value. Cost has been determined following the weighted average cost method. The cost of finished and semi-finished products includes cost of materials, direct labor and manufacturing overheads. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

D. Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Costs incurred subsequent to initial acquisition are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, other than work-in-progress, over their estimated useful lives, using the straight-line method, as follows:

	Rate %
Buildings	6
Installations and equipment	8
Vehicles	25
Furniture and fixtures	8

E. Retirement Benefit Obligations:

The Company is subscribed to the compulsory defined benefit plan in accordance with the National Social Security Fund (the "Fund") regulations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

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

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

F. Taxation:

Provision for income tax is computed based on the taxable profits for the year, as adjusted for items of income and expenses that are never taxable or deductible.

Income tax law allows companies taxable on real profits to carry forward taxable losses for the year, for three consecutive years to reduce taxable profits in those years, if any.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

G. Provisions:

Provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

H. Revenue Recognition:

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

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

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

I. Borrowing Cost:

Borrowing cost on loans are recognized in the statement of profit or loss in the period in which they are incurred.

J. Impairment of Tangible and Intangible Assets:

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

K. Foreign Currencies:

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the parallel market rates of exchange prevailing at the dates of the transactions in accordance with the Ministry of Finance decision 893/1 issued on December 31, 2020 (refer to note 1). By choosing to abide and apply the MoF decision, the Company was not able to comply with IAS21, which defined legal rate as still being 1507.5, whereas the MoF decision suggested the use of the parallel market rate. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated as follows:

- Monetary items to be realized / settled in local foreign currency are converted at the official exchange rate prevailing at that date
- Monetary items to be realized / settled in foreign currency cash or international transfers are converted at the parallel market exchange rate prevailing at that date

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

The below exchange rates were prevailing at reporting date:

Closing rates:

	Parallel Market rate	Official rate peg
USD	8,400	1,507.5

Average rates:

	Parallel Market rate	Official rate peg
USD	7,700	1,507.5

L. <u>Financial Instruments - Recognition and Measurement:</u>

Financial assets and Financial Liabilities

Recognition and Derecognition

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

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

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

Measurement

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

Classification of financial assets

Accounts receivable are measured at amortized cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

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

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

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

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

Definition of default

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

Credit-impaired financial assets

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

Measurement and recognition of expected credit losses

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

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

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

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair Value Measurement of Financial Instruments

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

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

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

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

M. Cash and Cash Equivalents:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

In the application of the accounting policies described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Impairment for accounts receivable

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

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

Provision for slow-moving inventories

Inventories are stated at the lower of cost and net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions and on the Company's historical trend. Additional information is disclosed in Note 13.

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is disclosed in Note 13.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Management is aware of all risks associated with the situation prevailing in the country and developed a stress test scenario of the possible impact on its operating environment, including demand and supply chain, and eventually on cash flows and liquidity position.

In that respect, management has developed a conservative scenario budget for 2021 taking into consideration the major challenges. The budget addresses the following:

- producing and securing the needed volumes for the year based on limited kiln campaign in relation to limited quarry permitting;
- improving margins by addressing prices and cost optimization;
- adopting a cost control strategy limiting unnecessary capital and operating expenditures;
- putting on hold all hiring and improving management of head count;
- optimization of liquidity management.

Management have been able to secure foreign currency inflows to settle any obligations in foreign currency. Moreover, management is monitoring closely the Central Bank and Ministry of Industry initiatives for funding certain manufacturing sectors with foreign currencies and benefiting from such initiatives.

With respect to the quarry licensing, discussions pertaining to excavation and rehabilitation plans are taking place with members of a participatory committee established by a Ministerial decision in June 2020. A dedicated sub-committee of relevant stakeholders is formed to review plans developed by a consortium of experts and presented by the cement companies.

In view of the above, management has taken the necessary measures to minimize the impact of potentially material uncertainties that may cast significant doubt upon the Company's ability to continue as going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Banks' current accounts	5,375,748	4,006,707
Cheques under collection	58,157	317,270
	5,433,905	4,323,977

Banks' current accounts are segregated as follows by currency:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Lebanese Pounds	4,581,628	2,623,090
Restricted U.S Dollar (local)	794,120	1,383,617
	5,375,748	4,006,707

Current accounts at banks are restricted as per the de-facto capital control imposed by Lebanese banks and do not earn interest.

In view of the current situation of the country and the banks, management was not able to assess the expected credit losses on bank balances as at December 31, 2020.

6. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
	LBP'000	LBP'000
Trade receivables	476,178	1,170,652
Due from related parties (Note 12)	4,241,379	4,883,962
Less: Allowance for credit loss – Credit impaired	(107,493)	(54,731)
	4,610,064	5,999,883

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

December 31, 2020	Balance	Number of Clients	Percentage
	LBP'000		%
Between LBP200million and LBP300million	219,005	1	46
Between LBP100million and LBP200million	-	-	-
Between LBP50million and LBP100million	-	-	-
Between LBP10million and LBP50million	195,287	7	41
Below LBP10million	15,570	8	3
Checks under collection	46,316	-	10
	476,178	16	100

December 31, 2019	Balance	Number of Clients	Percentage
	LBP'000		%
Between LBP200million and LBP300million	284,555	1	24
Between LBP100million and LBP200million	417,387	3	36
Between LBP50million and LBP100million	-	-	-
Between LBP10million and LBP50million	306,391	12	26
Below LBP10million	24,759	25	2
Checks under collection	137,560	-	12
	1,170,652	41	100

The aging of trade receivables as at December 31, 2020 and 2019 is detailed as follows:

	December 31, 2020	December 31, 2019
	LBP'000	LBP'000
Not Due	255,042	207,666
Up to 3 months	29,287	371,007
Over 3 months	145,533	454,419
Checks under collection - current	46,316	137,560
	476,178	1,170,652

The usual credit limit granted to customers is between 30 days and 90 days which stopped during 2020. No interest is charged on past due trade receivables. Trade receivables are denominated in Lebanese Pound.

The movement of the allowance for credit loss is summarized as follows:

	2020	2019
	LBP'000	LBP'000
Balance at January 1	54,731	54,731
Allowance set up during the year	52,762	-
Balance at December 31	107,493	54,731

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

7. INVENTORIES

	December 31,	
	2020	2019
	LBP'000	LBP'000
Raw materials and combustibles	631,297	1,024,833
Spare parts	1,652,591	1,381,526
Finished goods - white cement	791,028	755,202
Work in progress	2,837,635	2,462,367
	5,912,551	5,623,928
Less: Provision for obsolete inventory	(721,505)	(595,552)
	5,191,046	5,028,376

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

	2020	2019
	LBP'000	LBP'000
Balance at January 1	595,552	652,725
Additions/(write-back)	125,953	(57,173)
Balance at December 31	721,505	595,552

8. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Advances to suppliers	320,985	20,689
Value added tax receivable	-	56,151
Other receivables	35,508	91,661
	356,493	168,501

Other assets are denominated in Lebanese Pound.

9. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Land LBP'000	Buildings LBP'000	Installations and Equipment LBP'000	Vehicles LBP'000	Furniture and Fixtures LBP'000	Total LBP'000
Cost:						
Balance - January 1, 2019	4,456,890	7,193,423	23,157,456	331,572	274,393	35,413,734
Additions	-	-	970,133	-	-	970,133
Balance - December 31, 2019	4,456,890	7,193,423	24,127,589	331,572	274,393	36,383,867
Balance - December 31, 2020	4,456,890	7,193,423	24,127,589	331,572	274,393	36,383,867
Accumulated Depreciation:						
Balance - January 1, 2019	-	(6,780,169)	(17,700,049)	(330,959)	(262,460)	(25,073,637)
Charge for the year (Note 19)	-	(53,929)	(704,946)	(613)	(2,202)	(761,691)
Balance - December 31, 2019	-	(6,834,098)	(18,404,995)	(331,572)	(264,663)	(25,835,328)
Charge for the year (Note 19)	-	(32,013)	(734,026)	-	(2,202)	(768,241)
Balance - December 31, 2020	-	(6,866,111)	(19,139,021)	(331,572)	(266,865)	(26,603,569)
Net Book Value:						
December 31, 2020	4,456,890	327,312	4,988,568	-	7,528	9,780,298
December 31, 2019	4,456,890	359,325	5,722,594	-	9,730	10,548,539