HOLCIM (LIBAN) S.A.L.

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

Deloitte.

Deloitte & Touche
Arabia House
131 Phœnicia 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

Adverse Opinion

We have audited the accompanying separate financial statements of Holcim (Liban) 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 separate 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) As explained in note 3 to the financial statements, the Company has translated transactions and assets and liabilities denominated in foreign currencies, using multiple exchange rates prevailing at the date of the transactions and at the reporting date, and has not translated transactions and assets and liabilities denominated in foreign currencies at a single exchange rate prevailing at the date of the transactions and at the reporting date, which constitutes a departure from IAS 21 'The Effects of Changes in Foreign Exchange rates'. Had the Company applied the requirements of IAS 21, many of the elements of the accompanying financial statements, including disclosures, would have been materially impacted. The effects on the separate financial statements of this departure have not been determined.

(c) The statement of profit or loss and other comprehensive income includes foreign exchange losses of LBP8billion. Cash and cash equivalents, which are carried in the statement of financial position at LBP66.8billion, includes foreign exchange losses of LBP3.3billion. We were unable to obtain sufficient appropriate audit evidence about the foreign exchange losses because we could not inspect supporting documentation relating to these amounts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

(d) Cash and cash equivalents which are carried in the statement of financial position at LBP66.75billion (2019: LBP28.34billion) includes balances with Lebanese banks of LBP59.4billion (2019: LBP24.7billion). 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.

(e) The Company has not prepared consolidated financial statements. The Company has accounted for all its investments in subsidiaries on a cost basis. Under IFRS, the Company should have consolidated its subsidiaries. Had the subsidiaries been consolidated, many elements reported in the consolidated financial statements would be reported at materially different amounts to those reported in the separate financial statements. The effects of the failure to prepare consolidated financial statements have not been determined.

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, the Board of Directors 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
July 30, 2021

Deloitte & Touche

HOLCIM (LIBAN) 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	66,750,556	28,336,620
Accounts and notes receivable	6	20,551,100	50,187,091
Inventories	7	50,623,946	48,850,720
Dividends receivable	15	33,042,149	176,275
Other assets	8	22,814,098	17,348,087
Total current assets		193,781,849	144,898,793
Non-Current Assets			
Notes receivable	6	6,705,047	8,953,169
Property, plant and equipment	9	145,238,324	160,902,386
Intangible assets	10	17,293,147	18,335,175
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		210,562,848	229,517,060
Total Assets		404,344,697	374,415,853
LIABILITIES			
Current Liabilities			
Bank overdrafts	13	-	6,507,728
Accounts payable	14	15,047,817	26,503,336
Notes payable	16	450,380	450,380
Accrued expenses and other liabilities	17	24,245,851	14,354,561
Dividends payable	23	1,745,038	1,745,038
Deferred income		714,983	1,794,364
Total current liabilities		42,204,069	51,355,407
Non-Current Liabilities			
Loans from related parties	15	136,101,631	91,127,718
Notes payable	16	1,501,264	1,951,643
Deferred tax liability	18	4,798,506	4,798,506
Provision for risk and charges	19	7,675,175	5,062,694
Retirement benefit obligations	20	2,760,644	5,041,129
Total non-current liabilities		152,837,220	107,981,690
Total liabilities		195,041,289	159,337,097
EQUITY			
Capital	21	97,580,200	97,580,200
Legal reserve	22	32,527,000	32,527,000
Property revaluation reserve	22	50,613,023	50,613,023
Re-measurement of defined benefit obligations	20	2,403,665	605,909
Retained earnings	23	26,179,520	33,752,624
Total equity		209,303,408	215,078,756
Total Liabilities and Equity		404,344,697	374,415,853

The accompanying financial statements were approved for issue by the Board of Directors on July 30, 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

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

	Notes	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Net sales	24	98,117,689	150,710,854
Cost of sales	25	(75,837,254)	(113,783,654)
Gross profit		22,280,435	36,927,200
Distribution expenses	25	(13,608,982)	(12,813,447)
General and administrative expenses	25	(15,696,139)	(17,259,641)
Allowance for expected credit loss on accounts receivable	6	(428,915)	(1,492,425)
Allowance for expected credit loss on due from related parties	15	(323,303)	(133,292)
(Provision)/write-back of provision for obsolete inventory	7	(1,152,654)	863,971
Provision for risk and charges	19	(3,531,861)	(263,813)
Finance cost, net	26	(34,262,645)	(10,136,526)
Net foreign exchange loss		(2,950,804)	(1,194,065)
Dividend income	15	42,101,764	4,214,533
		(29,853,539)	(38,214,705)
Loss before income tax		(7,573,104)	(1,287,505)
Income tax expense	18	-	-
Loss for the year		(7,573,104)	(1,287,505)
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligations	20	1,797,756	949,807
Total other comprehensive income for the year		1,797,756	949,807
Total comprehensive loss for the year		(5,775,348)	(337,698)
Loss for the year (LBP'000)		(7,573,104)	(1,287,505)
Number of ordinary shares in issue		19,516,040	19,516,040
Loss per share from loss attributable to the equity holders of the Company during the year (LBP)		(388)	(66)

The accompanying financial statements were approved for issue by the Board of Directors on July 30, 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

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

	Capital LBP'000	Legal Reserve LBP'000	Property Revaluation Reserve LBP'000	Re-measurement of defined Benefit Obligations LBP'000	Retained Earnings LBP'000	Total LBP'000
Balance at January 1, 2019	97,580,200	32,527,000	50,613,023	(343,898)	42,651,386	223,027,711
Total comprehensive loss for the year	-	-	-	949,807	(1,287,505)	(337,698)
Dividends distribution (Note 23)	-	-	-	-	(7,611,257)	(7,611,257)
Balance at December 31, 2019	97,580,200	32,527,000	50,613,023	605,909	33,752,624	215,078,756
Total comprehensive loss for the year	-	-	-	1,797,756	(7,573,104)	(5,775,348)
Balance at December 31, 2020	97,580,200	32,527,000	50,613,023	2,403,665	26,179,520	209,303,408

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, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Cash flows from operating activities:			
Loss for the year		(7,573,104)	(1,287,505)
Adjustments for:			
Depreciation	9	15,729,971	16,187,496
Amortization	10	1,042,028	1,061,869
Dividend income		(42,101,764)	(4,214,533)
Allowance for credit loss on accounts receivable	6	428,915	1,492,425
Provision/(write-back of provision) for obsolete inventory	7	1,152,654	(863,971)
Allowance for credit loss on due from related parties	15	323,303	133,292
Provision for risk and charges, net	19	3,531,861	263,813
Loss on sale of property, plant and equipment		-	12,648
Provision for retirement benefit obligations	20	362,373	390,979
Operating cash flows before changes in working capital		(27,103,763)	13,176,513
Decrease in trade and notes receivables		32,931,224	8,085,752
(Increase)/decrease in inventories		(2,925,880)	30,464,345
Increase in other assets		(5,466,011)	(1,307,824)
Net change in related parties balances		(3,037,996)	2,297,168
Decrease in trade payables		(10,216,852)	(21,301,221)
Increase/(decrease) in accrued expenses and other liabilities		9,891,290	(96,141)
(Decrease)/ increase in deferred income		(1,079,381)	1,206,703
Decrease in notes payable		(450,379)	(450,380)
Settlements of provision for risks and charges	19	(919,380)	-
Income tax paid	18	-	(9,184,351)
Benefit payments related to retirement benefit obligations	20	(845,102)	(504,901)
Net cash (used in)/generated from operating activities		(9,222,230)	22,385,663
Cash flows from investing activities:			
Acquisition of property, plant and equipment	9	(65,909)	(8,937,503)
Acquisition of intangible assets	10	-	(229,050)
Dividend received from subsidiaries		9,235,890	2,259,962
Net cash generated from/(used in) investing activities		9,169,981	(6,906,591)
Cash flows from financing activities:			
Decrease in bank overdrafts		(6,507,728)	(64,221,290)
Increase in loans from related parties		44,973,913	79,067,718
Dividends paid to shareholders		-	(7,721,820)
Net cash generated from financing activities		38,466,185	7,124,608
Net increase in cash and cash equivalents		38,413,936	22,603,680
Cash and cash equivalents - Beginning of year		28,336,620	5,732,940
Cash and cash equivalents - End of year	5	66,750,556	28,336,620

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 Company is owned to the extent of 52% by Holcibel S.A., Belgium, the parent Company as at December 31, 2020 and 2019. 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 Company being in need of hard currency for import and since banks were not performing this role, the Company decided to do exchange transactions based on Ministry of Finance ("MoF") letter 272/2020 addressed to Association of Industrials permitting the correct recording of foreign exchange losses or gains in the Company' books. Management had issued a clear internal process to reduce the risk of any fraud and exchanged during 2020 a total amount of LBP14billion that resulted in a total amount of USD1.76million. If these LBP14billion would have been converted at the official exchange rate of 1507.5, they would have resulted in USD9.3million. The related total foreign exchange loss amounted to USD7.5million (USD9.3million - USD1.76million) * 1507.5 = LBP11.3billion split between LBP8billion in the statement of profit or loss and LBP3.3billion under cash and cash equivalents in the statement of financial position.

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.

These financial statements represent the separate financial statements of the Company as required by law.

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.

The Company has opted not to present consolidated financial statements as at December 31, 2020 as required by IFRS, on the basis that the accounts are consolidated at the level of the ultimate parent company Lafarge Holcim Ltd., Switzerland.

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, Plant and Equipment:

Property, plant 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
Industrial machinery and equipment	8
Vehicles	25
Furniture, fixtures and office equipment	8

E. Investment Properties:

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. All of the Company's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties. Investment properties comprise plots of land which are not subject to depreciation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

F. Retirement Benefit Obligations:

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

The liability recognised in the 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.

G. Intangible Assets:

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Extraction rights are amortized over the period of the lease, client list is amortized over 10 years and computer software are amortized over their estimated useful lives between 5 to 10 years.

H. Taxation:

Provision for income tax is computed based on the taxable profits for the year, as adjusted for items of income and expenses that 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.

I. Investment in Subsidiaries and Affiliates:

Investment in subsidiaries and affiliates is carried in the financial statements at cost, net of impairment losses when necessary. The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in the statement of profit or loss and other comprehensive income.

J. 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.

K. 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.

Dividends income is recognized when the Company's right to receive the payment is established.

L. Borrowing Cost:

Borrowing cost on bank overdrafts and loan are recognized in the statement of profit or loss in the period in which they are incurred.

M. 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.

N. 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
USD	8,400	1,507.5

Average rates:

	Parallel Market Rate	Official Rate
USD	7,700	1,507.5

O. Financial Instruments – Recognition and Measurement:

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.

P. Leasing:

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Company did not make any such adjustments during the periods presented as the Company's leases fall under the exceptions of IFRS16.

Q. 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.

R. Provision for Environmental Restoration:

The Company provides for the aggregate estimated provision for environmental restoration expected to be incurred until its closure, over the period of the capacity life of the quarry. These costs are determined on the basis of studies made using judgments and estimates for these costs which are revised annually at the reporting date.

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 of 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 20.

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is disclosed in Note 20.

Environmental restoration

As disclosed in Note 3, environmental restoration provision is determined based on studies made using judgments and estimates which are revised at each reporting date.

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
Cash on hand	6,335,627	945,697
Banks' current accounts	59,392,968	9,700,087
Term deposits with banks (original maturity less than 3 months)	-	15,000,000
Cheques under collection	1,021,961	2,690,836
	66,750,556	28,336,620

Cash and cash equivalents are segregated as follows by currency:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Lebanese Pounds	60,317,640	27,955,853
Restricted U.S. Dollar (Local)	1,829,270	380,767
Unrestricted U.S. Dollar (Fresh)	4,295,348	-
Restricted Euro (Local)	452	-
Unrestricted Euro (Fresh)	307,846	-
	66,750,556	28,336,620

Current accounts at banks do not earn interest. Restricted balances in USD are placed with resident banks and thus are subject to the de-facto capital control imposed by Lebanese banks as described in note 1.

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. Up to the date of issuance of these financial statements, the Company was able to use most of its bank balances without recording any losses.

Time deposits with banks as at December 31, 2019 are denominated in Lebanese Pounds, matured monthly and were closed during 2020. The deposits earned an average annual interest rate of 10%. Related interest income for the year 2020 amounted to LBP291million (2019 amounted to LBP249million) (Note 26).

Cheques under collection represent cheques held by the Company at year-end and collected during January 2021.

6. ACCOUNTS AND NOTES RECEIVABLE

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Trade receivables	33,438,530	60,885,729
Notes receivable	9,149,664	12,260,558
Checks under collection	2,915,088	5,482,516
Due from related parties (Note 15)	8,700,003	7,223,977
	54,203,285	85,852,780
Less: Non-current portion of notes receivable	(6,705,047)	(8,953,169)
	47,498,238	76,899,611
Less: Allowance for expected credit losses - Credit impaired	(25,247,134)	(23,903,645)
Less: Allowance for expected credit losses - Not credit impaired	(1,700,004)	(2,808,875)
Total allowance for expected credit losses	(26,947,138)	(26,712,520)
	20,551,100	50,187,091

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

	December 31, 2020		
	Balance LBP'000	Number of clients	Percentage %
Above LBP600million	28,825,152	15	86
Between LBP300million and LBP600million	1,834,501	5	5
Between LBP200million and LBP300million	936,223	4	3
Between LBP100million and LBP200million	510,486	3	2
Between LBP50million and LBP100million	682,437	9	2
Between LBP10million and LBP50million	503,489	23	2
Below LBP10million	146,242	49	-
	33,438,530	108	100

	December 31, 2019		
	Balance LBP'000	Number of clients	Percentage %
Above LBP600million	50,216,610	33	82
Between LBP300million and LBP600million	4,445,513	11	7
Between LBP200million and LBP300million	2,889,329	12	5
Between LBP100million and LBP200million	1,503,229	11	2
Between LBP50million and LBP100million	987,070	14	2
Between LBP10million and LBP50million	678,274	28	1
Below LBP10million	165,704	58	1
	60,885,729	167	100

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

	December 31,	
	2020	2019
	LBP'000	LBP'000
Not due	2,412,237	4,268,846
Up to 3 months	154,395	7,238,601
Over 3 months	30,871,898	49,378,282
	33,438,530	60,885,729

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

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.

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

	2020	2019
	LBP'000	LBP'000
Balance at January 1	26,712,520	25,220,095
Allowances	914,456	1,492,425
Write-backs	(485,541)	-
Write-offs	(194,297)	-
Balance at December 31	26,947,138	26,712,520

Trade receivables are secured by bank guarantees to the extent of LBP9.6billion (LBP27.1billion as at December 31, 2019).

The maturity of the notes receivable is as follow:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Within 1 year	2,444,617	3,307,389
Between 1 year and 5 years	6,047,423	7,915,664
Over 5 years and up to 10 years	657,624	1,037,505
	9,149,664	12,260,558

The effective interest rates on the notes receivable ranges between 4% and 7.5%. Interest income on notes receivable for the year 2020 amounted to LBP568million (LBP607million for 2019) (Note 26). Notes receivable are recoverable and no impairment was setup against these notes receivable as at December 31, 2020 and 2019.

Refer also to Note 15 regarding notes receivable.

7. INVENTORIES

	December 31,	
	2020	2019
	LBP'000	LBP'000
Raw materials	15,346,629	15,792,866
Combustibles	17,887,572	11,680,972
Spare parts	14,998,886	14,757,619
Finished goods - cement	6,469,730	3,416,897
Work-in-progress	4,215,692	10,408,747
	58,918,509	56,057,101
Less: Provision for obsolete inventory	(8,294,563)	(7,206,381)
	50,623,946	48,850,720

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

	2020	2019
	LBP'000	LBP'000
Balance at January 1	7,206,381	8,070,352
Provision/(write-back of provision) during the year	1,152,654	(863,971)
Write-off	(64,472)	-
Balance as at December 31	8,294,563	7,206,381

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

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

The cost of inventories recognised as an expense includes LBP1.4billion in respect of write-down of inventories to net realizable value for the year ended December 31, 2019 (Nil in 2020).

8. OTHER ASSETS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Advances to suppliers	7,348,491	1,142,672
Prepayments	11,018,635	10,246,109
Advances to employees	866,489	1,730,385
National Social Security Fund receivables	1,801,012	2,162,060
Other receivables	1,779,471	2,066,861
	22,814,098	17,348,087

Other assets are denominated in Lebanese Pound.

National Social Security Fund receivables represent reimbursement of medical claims paid to employees by the Company to be collected from NSSF.

Refer also to Note 15 regarding prepayments.

9. PROPERTY, PLANT AND EQUIPMENT

	Land LBP'000	Buildings LBP'000	Industrial Machinery and Equipment LBP'000	Vehicles LBP'000	Furniture, Fixtures and Office Equipment LBP'000	Total LBP'000
Cost:						
Balance as at January 1, 2019	66,873,553	159,834,125	457,409,512	4,043,610	8,113,616	696,274,416
Additions	-	57,877	8,825,600	-	54,026	8,937,503
Disposals	-	-	-	(120,737)	-	(120,737)
Balance as at December 31, 2019	66,873,553	159,892,002	466,235,112	3,922,873	8,167,642	705,091,182
Additions	-	-	43,015	-	22,894	65,909
Balance as at December 31, 2020	66,873,553	159,892,002	466,278,127	3,922,873	8,190,536	705,157,091
Accumulated Depreciation:						
Balance at January 1, 2019	-	(153,732,922)	(362,568,567)	(3,704,830)	(8,103,070)	(528,109,389)
Charge for the year (Note 25)	-	(679,298)	(15,383,326)	(113,900)	(10,972)	(16,187,496)
Disposals	-	-	-	108,089	-	108,089
Balance at December 31, 2019	-	(154,412,220)	(377,951,893)	(3,710,641)	(8,114,042)	(544,188,796)
Charge for the year (Note 25)	-	(664,563)	(14,933,518)	(92,073)	(39,817)	(15,729,971)
Balance at December 31, 2020	-	(155,076,783)	(392,885,411)	(3,802,714)	(8,153,859)	(559,918,767)
Net Book Value:						
December 31, 2020	66,873,553	4,815,219	73,392,716	120,159	36,677	145,238,324
December 31, 2019	66,873,553	5,479,782	88,283,219	212,232	53,600	160,902,386

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 LBP14.67billion (2019: LBP15.11billion), distribution expenses in the amount of LBP998million (2019: LBP997million) and general and administrative expenses in the amount of LBP55million (2019: LBP77million).

10. INTANGIBLE ASSETS

	Extraction Rights LBP'000	Client List LBP'000	Software LBP'000	Total LBP'000
Cost:				
Balance as at January 1, 2019	33,520,569	58,340,250	638,497	92,499,316
Additions	-	-	229,050	229,050
Balance as at December 31, 2019	33,520,569	58,340,250	867,547	92,728,366
Balance as at December 31, 2020	33,520,569	58,340,250	867,547	92,728,366
Accumulated Amortization:				
Balance as at January 1, 2019	(14,415,848)	(58,340,250)	(575,224)	(73,331,322)
Charge for the year (Note 25)	(1,027,856)	-	(34,013)	(1,061,869)
Balance as at December 31, 2019	(15,443,704)	(58,340,250)	(609,237)	(74,393,191)
Charge for the year (Note 25)	(1,027,856)	-	(14.172)	(1,042,028)
Balance as at December 31, 2020	(16,471,560)	(58,340,250)	(623,409)	(75.435,219)
Net Book Value:				
December 31, 2020	17,049,009	-	244,138	17,293,147
December 31, 2019	18,076,865	-	258,310	18,335,175

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, 2020 LBP'000	December 31, 2019 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

The fair value of the above investment properties is estimated at LBP55billion that has been arrived at on the basis of a valuation carried out during year 2019 by an independent real estate appraiser appointed by the management. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties, which is categorized into Level 2 of the fair value hierarchy. Based on management assessment, the fair value of these investment properties is estimated at approximately LBP37billion during 2020.

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 Endüstrive Madencilik Limited	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)	-
			35,167,161	(5,917,998)	29,249,163

13. BANK OVERDRAFTS

Bank overdrafts as at December 31, 2019 are short-term in nature, subject to commercial rates, denominated in U.S. Dollar and were fully settled during 2020. Related interest expense amounted to LBP353million during 2020 (LBP3.74billion during 2019) (Note 26).

14. ACCOUNTS PAYABLE

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Trade payables	2,277,566	12,494,418
Due to related parties (Note 15)	12,770,251	14,008,918
	15,047,817	26,503,336

Trade payables consist of current trade suppliers' balances, are non-interest bearing and mainly denominated in Lebanese Pound.

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.

Current balances with related parties are as follows:

	December 31, 2020		December 31, 2019	
	Due From	Due To	Due From	Due To
	LBP'000	LBP'000	LBP'000	LBP'000
Ultimate parent company:				
Lafarge Holcim Ltd	-	4,672,860	-	-
Subsidiaries and affiliates:				
Société Libanaise des Ciments Blancs S.A.L.	-	4,241,378	3,672,372	4,883,965
Holcim Beton S.A.L.	13,117,849	-	13,139,186	-
Boğaz Endűtri ve Madencilik Limited	2,714,794	-	-	-
Energis Liban S.A.L.	102,868	-	102,868	-
EDP Centre S.A.R.L. (Under liquidation)	1,600,660	-	1,600,660	-
	17,536,171	4,241,378	18,515,086	4,883,965
Entities associated with the company:				
Lafarge Holcim Energy Solutions S.A.S.	-	901,310	-	4,447,123
Lafarge Holcim Middle East & Africa IT Service Center	92,682	-	-	452,925
Egypt Sack S.A.E	-	842,850	-	194,166
Holcim Group Services Ltd	474,094	-	-	452,844
Lafarge Holcim Trading Ltd	-	1,026,245	-	554,154
Holcim Technology Ltd	1,896,085	-	-	2,975,368
Carriere Jieh S.A.L.	432,583	-	432,583	-
Other related parties	379,557	1,085,608	64,174	48,373
	3,275,001	3,856,013	496,757	9,124,953
Less: Allowance for impairment:				
Holcim Beton S.A.L.	(10,077,926)	-	(9,754,623)	-
EDP Centre S.A.R.L. (under liquidation)	(1,600,660)	-	(1,600,660)	-
Carriere Jieh S.A.L.	(432,583)	-	(432,583)	-
	(12,111,169)	-	(11,787,866)	-
	8,700,003	12,770,251	7,223,977	14,008,918

Additional impairment for due from related parties amounting to LBP323million (LBP133million in 2019), related to Holcim Beton S.A.L., a subsidiary, was recorded in the statement of profit or loss and other comprehensive income for the year ended December 31, 2020. 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 denominated as follows by currency:

	December 31, 2020		December 31, 2019	
	Due From	Due To	Due From	Due To
	LBP'000	LBP'000	LBP'000	LBP'000
Non-resident entities (Fresh USD)	5,557,212	8,528,873	64,164	9,124,953
Resident entities (Lebanese Pound)	3,142,791	4,241,378	7,159,813	4,883,965
	8,700,003	12,770,251	7,223,977	14,008,918

Loans from related parties are as follows:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Loan from ultimate parent company:		
Lafarge Holcim Ltd	124,041,631	-
Accrued interest payable (Note 17)	6,588,929	-
	130,630,560	-
Loan from a subsidiary:		
Société Libanaise des Ciments Blancs S.A.L.	12,060,000	12,060,000
Accrued interest payable	3,500,058	4,883,965
	15,560,058	16,943,965
Loan from a related party:		
Holcim Investments S.A.S	-	79,067,718
Accrued interest payable (Note 17)	-	1,498,489
	-	80,566,207
	136,101,631	91,127,718

During 2019, Holcim Investments S.A.S., a related party, granted the Company a loan denominated in USD amounting to LBP75billion (USD50million at official rate) that was increased later during the year to LBP79billion (USD52.5million at official rate) subject to interest at the rate of 6 month LIBOR plus 7% and matures on April 17, 2021.

During 2020, an additional loan amounting to LBP15billion (USD10million at official rate) was granted, out of which USD5.2million was used, and subject to interest at the rate of 6 month LIBOR plus 9% and 1% on the unused limit and matures on January 24, 2024.

On August 3, 2020, Holcim Investments S.A.S. loans and related interests aggregate amounts were transferred to Lafarge Holcim Ltd, ultimate parent company, with continuity according to signed assignment agreements. This loan is not expected to be settled in the foreseeable future.

The loan from the subsidiary, Société Libanaise des Ciments Blancs S.A.L. is denominated in USD, amounted to USD8million at official rate and matures on December 31, 2024. The loan was subject to an average interest rate of 5% during the year 2020 (7.2% in 2019).

Interest expense on above loans for the year 2020 amounted to LBP34.2billion (USD5.8million at parallel market rate) (LBP6.5billion (USD4.3million at official rate) during 2019) and was recorded under "Finance cost, net" in the statement of profit or loss and other comprehensive income (Note 26). Accrued interest payable as at December 31, 2020 amounted to LBP8.3billion (USD995thousand at parallel market rate) (2019: LBP1.5billion (USD1million at official rate)) and was recorded under "Accrued expenses and other liabilities" in the statement of financial position (Note 17).

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

	2020 LBP'000	2019 LBP'000
Transactions with ultimate parent company, subsidiaries and affiliates:		
Sales of goods	3,160,949	1,640,160
Income from services	759,498	709,268
Interest expense on loans (Note 26)	34,182,929	6,521,052
Service fees	493,446	1,235,286
Recharged costs to subsidiaries	566,622	4,461,519
Interest income on notes receivable	366,038	417,978
Rent expense	423,462	418,388
Transactions with entities associated with the Company:		
Purchase of goods	13,221,677	16,435,689
Service fees, franchise and administrative support (Note 25)	2,776,776	7,058,619
Income from services	665,523	240,974

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.

	2020 LBP'000	2019 LBP'000
Key management remuneration:		
Key management personnel	1,674,715	1,636,238
Dividend income from subsidiaries		
Boğaz Endütri ve Madencilik Limited	42,101,764	1,544,688
Société Libanaise des Ciments Blancs S.A.L.	-	2,669,845
	42,101,764	4,214,533

During 2020, the Company received dividend income from subsidiaries in the amount of LBP42.1billion (USD5.7million at parallel market rate) (2019: LBP4.2billion (USD2.8million at official rate). An amount of LBP33billion (USD3.9million at parallel market rate) was outstanding as dividends receivable as at December 31, 2020 (2019: LBP176million (USD117thousand at official rate)).

Notes receivable as at December 31, 2020 (Note 6) include an aggregate amount of LBP6.2billion (LBP7.3billion as at December 31, 2019) from an affiliate, split between LBP1.1billion as current and LBP5.1billion as non-current (LBP1.1billion and LBP6.2billion respectively as at December 31, 2019). Related interest income on these notes receivable amounted to LBP366million during 2020 (LBP418million during 2019) recorded under "Finance cost – net" in the statement of profit or loss and other comprehensive income.

Extraction rights under intangible assets in the net carrying value of LBP17billion as at December 31, 2020 (LBP18billion as at December 31, 2019) 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 LBP10.4billion as at December 31, 2020 (LBP8.98billion as at December 31, 2019) 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 at year-end:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Within 1 year	450,380	450,380
Between 1 year and 5 years	1,501,264	1,951,643
	1,951,644	2,402,023

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	2020	2019
	LBP'000	LBP'000
Accrued rebates	2,883,013	6,764,543
Accrued expenses	2,037,264	2,555,262
Accrued interest payable (Note 15)	6,588,929	1,498,489
Advances from customers	708,990	448,559
Value added tax payable	5,510,506	1,985,854
Tax on salaries payable	395,500	246,727
Other tax liabilities	6,121,649	855,127
	24,245,851	14,354,561

Accrued expenses and other liabilities are denominated in Lebanese Pound except of accrued interest payable as disclosed under note 15.

Other tax liabilities include mainly tax on production and extraction and tax on dividend and are recorded under cost of sales and general and administrative expenses respectively, in the statement of profit or loss and other comprehensive income.

18. INCOME TAX EXPENSE

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

	2020	2019
	LBP'000	LBP'000
Loss before tax	(7,573,104)	(1,287,505)
Income tax expenses at statutory rate of 17%	(1,287,428)	(218,874)
Tax effect of expenses not deductible for tax purposes:		
Provision for obsolete inventory	195,951	22,276
Provision for risk and charges	600,204	44,848
Allowance for credit loss on accounts receivable	153,765	254,935
Allowance for credit loss on due from related parties	54,961	22,660
Other non-deductible expenses	6,646,047	694,789
Tax effect of revenues not taxable for tax purposes:		
Dividend income	(7,157,300)	(687,592)
Reversal of sales discounts	(243,208)	(144,808)
Other income	(348,975)	(2,467)
Total current tax	-	-
Change in deferred tax liability	-	-
Income tax expenses	-	-

The Company's tax returns and VAT declarations for the years 2016 to 2020 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 2020. The result of this examination cannot be determined at the present.

Movement in the current income tax liability is as follows:

	2020 LBP'000	2019 LBP'000
Balance at January 1,	-	9,184,351
Payments during the year	-	(9,184,351)
Balance at December 31,	-	-

Net deferred tax liability comprises the following:

	2020 LBP'000	2019 LBP'000
Deferred tax liability:		
Tax on land revaluation surplus (Note 22)	5,623,674	5,623,674
Deferred tax asset:		
Tax on environmental restoration provision	(825,168)	(825,168)
Net deferred tax liability	4,798,506	4,798,506

19. PROVISION FOR RISK AND CHARGES

Provision for risk and charges represents the following:

	December 31,	
	2020 LBP'000	2019 LBP'000
Non-current:		
Environmental restoration (a)	5,575,175	5,062,694
Others (b)	2.100,000	-
	7,675,175	5,062,694

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

	2020		
	Environmental restoration LBP'000	Others LBP'000	Total LBP'000
Balance at January 1	5,062,694	-	5,062,694
Additions	1,431,861	2,100,000	3,531,861
Settlements	(919,380)	-	(919,380)
Balance at December 31	5,575,175	2,100,000	7,675,175

	2019	
	Environmental restoration	Total
	LBP'000	LBP'000
Balance at January 1	4,853,944	4,853,944
Additions	263,813	263,813
Write-off	(55,063)	(55,063)
Balance at December 31	5,062,694	5,062,694

(a) 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.

(b) Other provisions

Other provisions is set up to cover possible claims and charges in connection with the Company's activities and includes amounts to cover the likelihood of additional levies due to uncertainties.

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.

	2020	2019
	LBP'000	LBP'000
Balance at January 1	5,041,129	6,104,858
Current service cost	120,486	142,727
Interest expense	241,887	248,252
Total amount recognized in profit or loss	362,373	390,979
Re-measurements:		
Actuarial changes arising from changes in assumptions	-	(28,665)
Experience gains	(1,797,756)	(921,142)
Total amount recognized in other comprehensive income	(1,797,756)	(949,807)
Benefit payments during the year	(845,102)	(504,901)
Balance at December 31	2,760,644	5,041,129

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, 2020, 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:

	2020	2019
Discount rate	5.60%	5.60%
Expected rate of return on contributions	5.00%	5.00%
Salary growth rate	4.00%	4.00%
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 35 years of contribution

21. CAPITAL

At December 31, 2020 and 2019, 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.

Property Revaluation Reserve

Property revaluation reserve of LBP50.61billion represents the amount of the revaluation surplus 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 June 19, 2019, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP7.6billion (390 per share).

An amount of LBP1.7billion is outstanding as dividend payable as at December 31, 2020 (LBP1.7billion as at December 31, 2019).

24. NET SALES

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Cement	96,168,724	159,649,084
Clinker (Note 15)	2,509,965	-
Discounts	(561,000)	(8,938,230)
	98,117,689	150,710,854

25. EXPENSES BY NATURE

	2020			
	Cost of Sales	Distribution Expenses	General and Administrative Expenses	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Combustibles	18,809,216	-	-	18,809,216
Raw materials	11,855,843	33,686	-	11,889,529
Salaries and related charges	12,716,062	1,830,420	6,143,518	20,690,000
Spare parts, consumables and maintenance expense	6,708,914	267,589	56,148	7,032,651
Depreciation charge (Note 9)	14,676,221	998,303	55,447	15,729,971
Franchise and administrative support expenses (Note 15)	-	-	2,776,776	2,776,776
Transportation	-	3,121,705	-	3,121,705
Packing materials	-	6,683,299	-	6,683,299
Other taxes (Note 17)	5,273,700	1,408	4,303,034	9,578,142
Contractual employees	578,650	288,728	34,606	901,984
Rent charges	542,543	-	278,093	820,636
Other third party services	506,089	350,751	5,891	862,731
Amortization charge (Note 10)	1,027,856	-	14,172	1,042,028
Professional fees	660	-	405,111	405,771
Changes in inventories of finished goods and work-in-progress	3,140,223	-	-	3,140,223
Other expenses	1,277	33,093	1,623,343	1,657,713
	75,837,254	13,608,982	15,696,139	105,142,375

	2019			
	Cost of Sales	Distribution Expenses	General and Administrative Expenses	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Combustibles	29,349,433	-	-	29,349,433
Raw materials	17,301,038	121,322	-	17,422,360
Salaries and related charges	12,607,790	1,735,425	6,472,952	20,816,167
Spare parts, consumables and maintenance expenses	11,774,367	387,034	63,668	12,225,069
Depreciation charge (Note 9)	15,113,539	996,683	77,274	16,187,496
Franchise and administrative support expenses (Note 15)	-	-	7,058,619	7,058,619
Transportation	-	4,668,048	-	4,668,048
Packing materials	-	4,129,884	-	4,129,884
Other taxes (Note 17)	9,553,858	778	604,176	10,158,812
Contractual employees	966,658	370,919	36,076	1,373,653
Rent charges	518,703	60,300	500,067	1,079,070
Other third party services	799,606	263,428	16,670	1,079,704
Amortization charge (Note 10)	1,027,856	-	34,013	1,061,869
Professional fees	25,330	-	487,782	513,112
Write-down of inventory (Note 7)	1,408,000	-	-	1,408,000
Changes in inventories of finished goods and work-in-progress	13,337,476	-	-	13,337,476
Other expenses	-	79,626	1,908,344	1,987,970
	113,783,654	12,813,447	17,259,641	143,856,742

Salaries and related charges consist of the following:

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Salaries	12,912,877	13,347,951
Costs recharged from a related party	1,359,836	807,040
Transportation	328,703	492,480
National Social Security contributions	1,783,106	1,907,279
Other benefits	4,305,478	4,261,417
	20,690,000	20,816,167

26. FINANCE COSTS - NET

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Finance costs:		
Interest expense on loans granted from related parties (Note 15)	34,182,929	6,521,052
Bank overdrafts (Note 13)	352,928	3,741,328
Other charges	587,149	730,025
	35,432,088	10,992,405
Finance income:		
Interest income on bank accounts (Note 5)	291,926	248,501
Interest income on notes receivable (Note 6)	568,435	607,378
	860,361	855,879
Finance cost - net	34,262,645	10,136,526

27. COMMITMENTS AND CONTINGENCIES

The Company had the following commitments and contingent liabilities as at December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Bank guarantees	5,316,542	5,580,543

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 2019:

- Dividends declared not yet paid amounting to LBP110million.
- Adjustment between inventories and provision for risk and charges in the amount of LBP55million.

The below table details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes.

	At January 1, 2020	Financing Cash Inflows/ (Outflows)	Interest And Re-Measurement	At December 31, 2020
	LBP'000	LBP'000	LBP'000	LBP'000
Bank overdrafts	6,507,728	(6,507,728)	-	-
Loans from related parties	91,127,718	-	44,973,913	136,101,631
	97,635,446	(6,507,728)	44,973,913	136,101,631

	At January 1, 2019	Financing Cash Inflows/ (Outflows)	Other Changes	At December 31, 2019
	LBP'000	LBP'000	LBP'000	LBP'000
Bank overdrafts	70,729,018	(64,221,290)	-	6,507,728
Loans from related parties	12,060,000	79,067,718	-	91,127,718
	82,789,018	14,846,428	-	97,635,446

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 2020 and 2019. Equity comprises capital, reserves and retained earnings, and is measured at LBP209billion as at December 31, 2020 (2019: LBP215billion).

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, trade receivable and balances due from related parties. As shown in Note 6, concentration of credit risk in trade receivables exists whereby 15 customers represent 86% of total trade receivables as at December 31, 2020 (33 customers represent 82% as at December 31, 2019).

The Company's liquid funds are placed with Lebanese banks which are subject to de-facto capital control imposed by banks. As a result of the current financial and economic crisis in Lebanon disclosed in note 1, credit rating agencies have downgraded the credit rating for Lebanon to default category with little recovery, which resulted in an increase in significant credit risk for the Company's exposure to Lebanese banks.

(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 manages liquidity risk by maintaining adequate resources and ensuring the availability of necessary facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Given the restrictions imposed on foreign currency transfers outside the country and the significant variance between the U.S. Dollar official exchange rate and the market exchange rate since October 2019, management is considering options available to secure foreign currency inflows to settle any obligations in foreign currency.

The table below summarizes the maturities of the Company's financial assets and liabilities at December 31, 2020 and 2019, based on contractual payment dates and current market interest rates.

	December 31, 2020			
	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	66,750,556	-	-	66,750,556
Accounts and notes receivable	20,551,100	6,047,423	657,624	27,256,147
Dividends receivable	33,042,149	-	-	33,042,149
Other assets	2,645,961	1,801,012	-	4,446,973
	122,989,766	7,848,435	657,624	131,495,825
Financial Liabilities				
Accounts payable	15,047,817	-	-	15,047,817
Notes payable	450,380	1,501,264	-	1,951,644
Dividends payable	1,745,038	-	-	1,745,038
Loans from related parties	-	136,101,631	-	136,101,631
Accrued expenses and other liabilities	18,616,584	-	-	18,616,854
	35,859,819	137,602,895	-	173,462,714

	December 31, 2019			
	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	28,336,620	-	-	28,336,620
Accounts and notes receivable	50,187,091	7,915,664	1,037,505	59,140,260
Dividends receivable	176,275	-	-	176,275
Other assets	3,797,246	2,162,060	-	5,959,306
	82,497,232	10,077,724	1,037,505	93,612,461
Financial Liabilities				
Bank overdrafts	6,507,728	-	-	6,507,728
Accounts payable	26,503,336	-	-	26,503,336
Notes payable	450,380	1,951,643	-	2,402,023
Dividends payable	1,745,038	-	-	1,745,038
Loans from related parties	-	91,127,718	-	91,127,718
Accrued expenses and other liabilities	4,586,197	-	-	4,586,197
	39,792,679	93,079,361	-	132,872,040

(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 loans from related parties are subject to variable interest rates whereas notes payable are subject to fixed interest rates.

Currency Risk:

Currency risk arises from the possibility that changes in exchange rates will affect the values of the monetary assets and liabilities denominated in foreign currencies in case the Company does not hedge its currency exposure by means of hedging instruments.

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's monetary assets and liabilities are mostly denominated in U.S. Dollar and Lebanese Pound (LBP). The LBP official exchange rate against the USD has been constant since many years. However, the de-facto capital control imposed by banks in Lebanon since October 2019 mainly on movement of funds in foreign currencies, caused the creation of parallel markets with wide range of price variance between the U.S. Dollar official exchange rate and the market exchange rate. Management is taking steps to address currency risk by matching sources and applications of funds, as applicable.