SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2019

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YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the accompanying financial statements of Société Libanaise des Ciments Blancs S.A.L. (the "Company"), which comprise the statement of financial position as at December 31, 2019, 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, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

(a) The Company was unable to perform an assessment of expected credit losses of its bank balances as at December 31, 2019, in accordance with the impairment requirements of IFRS 9 Financial Instruments taking into account the severe drop in credit rating by the rating agencies. Accordingly, we are unable to ascertain or determine the appropriateness and sufficiency of the allowance for expected losses and hence the net realizable value of the related bank balances in the amount of LBP4.3billion as at December 31, 2019.

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 qualified opinion.

Emphasis of a Matter

- As disclosed in Notes 4 and 25 to the accompanying financial statements, Lebanon is facing adverse conditions and high levels of uncertainty since October 2019 and up to the date of the financial statements, as a result of deterioration of the economic environment following the social unrest which lead to disruption of normal operations of most business sectors and closure of the banking sector for a period of time during the last quarter of 2019, resulting in a de-facto capital control, leading to incremental credit risks and restricted access to foreign currency among other adverse factors.

  In addition and in mid-March 2020, the Novel Coronavirus (Covid-19) pandemic was confirmed. The management of the Company cannot reasonably quantify the impact of the pandemic on the Company's activities.

  Management has taken measures to minimize the impact of the material uncertainties of the above events that may cast significant doubt upon the Company's ability to continue as going concern and therefore, the financial statements continue to be prepared on the going concern basis. Our opinion is not modified in respect of this matter.

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 Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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

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

Beirut, Lebanon
July 10, 2020

Deloitte & Touche

Deloitte & Touche

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

ASSETS	Notes	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Current Assets:			
Cash and cash equivalents	5	4,323,977	1,672,646
Accounts receivable	6	5,999,883	7,789,081
Inventories	7	5,028,376	6,157,452
Other assets	8	168,501	207,013
Total current assets		15,520,737	15,826,192
Non-Current Assets:			
Property and equipment	9	10,548,539	10,340,097
Loan to the parent company	12	12,060,000	12,060,000
Total non-current assets		22,608,539	22,400,097
Total Assets		38,129,276	38,226,289
LIABILITIES			
Current Liabilities:			
Due to banks		-	31,093
Accounts payable	10	5,326,203	2,636,662
Accrued expenses and other liabilities	11	927,803	1,208,573
Current income tax liability	15	339,254	1,324,652
Deferred income		389,822	204,942
Provision for risk and charges	13	-	250,000
Total current liabilities		6,983,082	5,655,922
Non-Current Liabilities:			
Provision for risk and charges	13	45,225	45,225
Retirement benefit obligations	14	954,859	1,082,268
Deferred tax liability	15	445,632	445,632
Total non-current liabilities		1,445,716	1,573,125
Total Liabilities		8,428,798	7,229,047
EQUITY			
Capital	16	13,500,000	13,500,000
Share premium		2,656	2,656
Legal reserve	17	4,500,000	4,500,000
Other reserve	17	4,010,692	4,010,692
Re-measurement of defined benefit obligations	14	429,042	335,259
Retained earnings	18	7,258,088	8,648,635
Total Equity		29,700,478	30,997,242
Total Liabilities and Equity		38,129,276	38,226,289

The accompanying financial statements were approved for issue by the Board of Directors on July 10, 2020 and were signed on its behalf by:

Mr. Jamil Bou Haroun
Chief Executive Officer

Mr. Mario Dib
Chief Financial Officer

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

	Notes	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Net sales	19	14,424,717	19,807,123
Cost of sales	20	(10,665,149)	(10,177,447)
Gross profit		3,759,568	9,629,676
Distribution expenses	20	(794,707)	(1,067,880)
General and administrative expenses	20	(862,133)	(1,049,651)
Write-back of provision for obsolete inventory	7	57,173	11,283
Write-back of provision for risk and charges, net	13	7,000	1,559,001
Finance income, net	21	1,286,863	967,168
Net foreign exchange (loss)/gain		(5,057)	83
		(310,861)	420,004
Profit before income tax		3,448,707	10,049,680
Income tax expense	15	(339,254)	(1,324,652)
Profit for the year		3,109,453	8,725,028
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligations	14	93,783	237,709
Total other comprehensive income for the year		93,783	237,709
Total comprehensive income for the year		3,203,236	8,962,737
Profit for the year (LBP'000)		3,109,453	8,725,028
Number of ordinary shares in issue		9,000,000	9,000,000
Earnings per share from profit attributable to the equity holders of the Company during the year (LBP)		345	969

The accompanying financial statements were approved for issue by the Board of Directors on July 10, 2020 and were signed on its behalf by:

Mr. Jamil Bou Haroun
Chief Executive Officer

Mr. Mario Dib
Chief Financial Officer

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.
STATEMENT OF CHANGES IN EQUITY

	Capital LBP'000	Share Premium LBP'000	Legal Reserve LBP'000	Other Reserve LBP'000	Re-measurement of Defined Benefit Obligations LBP'000	Retained Earnings LBP'000	Total LBP'000
Balance at January 1, 2018	13,500,000	2,656	4,500,000	4,010,692	97,550	6,583,607	28,694,505
Total comprehensive income for the year	-	-	-	-	237,709	8,725,028	8,962,737
Dividend declared (Note 18)	-	-	-	-	-	(6,660,000)	(6,660,000)
Balance at December 31, 2018	13,500,000	2,656	4,500,000	4,010,692	335,259	8,648,635	30,997,242
Total comprehensive income for the year	-	-	-	-	93,783	3,109,453	3,203,236
Dividend declared (Note 18)	-	-	-	-	-	(4,500,000)	(4,500,000)
Balance at December 31, 2019	13,500,000	2,656	4,500,000	4,010,692	429,042	7,258,088	29,700,478

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

	Notes	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Cash flows from operating activities			
Profit for the year		3,109,453	8,725,028
Adjustments for:			
Depreciation	9	761,691	709,975
Provision for income tax expense	15	339,254	1,324,652
Provision for retirement benefit obligations	14	40,564	79,046
Write-back of provision for risk and charges, net	13	(7,000)	(1,559,001)
Write-back of provision for obsolete inventory	7	(57,173)	(11,283)
Operating cash flows from changes in working capital		4,186,789	9,268,417
Decrease/(increase) in inventories		1,186,249	(1,018,574)
Increase in trade receivables		(20,617)	(29,580)
Decrease in other assets		38,512	54,950
Decrease in trade payables		(732,961)	(1,821,594)
Decrease in accrued expenses and other liabilities		(210,117)	(338,123)
Net change in related parties balances		5,232,317	(412,374)
Increase in deferred income		184,880	37,120
Payments of provision for risk and charges	13	(243,000)	-
Benefit payments related to retirement benefit obligations	14	(74,190)	-
Income tax paid	15	(1,324,652)	(1,214,375)
Net cash generated from operating activities		8,223,210	4,525,867
Cash flows from investing activities			
Acquisition of property and equipment	9	(970,133)	(1,485,669)
Net cash used in investing activities		(970,133)	(1,485,669)
Cash flows from financing activities			
(Decrease)/increase in due to banks	22	(31,093)	31,093
Dividends paid to shareholders	18	(4,570,653)	(6,635,111)
Net cash used in financing activities		(4,601,746)	(6,604,018)
Net increase/(decrease) in cash and cash equivalents		2,651,331	(3,563,820)
Cash and cash equivalents - Beginning of year		1,672,646	5,236,466
Cash and cash equivalents - End of year	5	4,323,977	1,672,646

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2019, have been adopted in these financial statements. The application of these revised IFRSs has had no material impact on the amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.
- Amendments to IFRS 9 *Financial Instruments*: Related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement: The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.

- IFRIC 23 Uncertainty over Income Tax Treatments: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
    - Whether tax treatments should be considered collectively;
    - Assumptions for taxation authorities' examinations;
    - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
    - The effect of changes in facts and circumstances
- IFRS 16 *Leases:* In the current year, the Company, for the first time, has adopted IFRS 16 *Leases* (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The application of IFRS 16 did not have a material impact on the financial statements of the Company.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>**New and revised IFRSs**</u>	**Effective for Annual Periods** <u>**Beginning on or After**</u>
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	January 1, 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	January 1, 2020

New and revised IFRSs	Effective for Annual Periods Beginning on or After
The amendments clarify that to be considered a business, an integrated 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 output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	
Amendments to References to the Conceptual Framework in IFRS Standards Amendments to References to the Conceptual Framework in IFRS Standards related 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 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts*.	January 1, 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.

Management anticipates 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 amendments, may have no material impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance:

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

B. Basis of Preparation:

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

The principal accounting policies are set out below.

C. Inventories:

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

D. Property and Equipment:

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

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

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

E. Retirement Benefit Obligations:

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

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

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

F. Taxation:

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

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

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

G. Provisions:

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

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

H. Revenue Recognition:

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

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

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

I. Borrowing Cost:

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

J. Impairment of Tangible and Intangible Assets:

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

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

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

Foreign Currencies:

The financial statements are presented in Lebanese Pound which is the reporting currency of the Company, whereas the primary currency of the economic environment in which the Company operates (functional currency) is the U.S. Dollar ("USD").

Transactions in currencies other than the entity's reporting currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates 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.

K. 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.

L. Cash and Cash Equivalents:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

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

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

Key sources of estimation uncertainty

Impairment for accounts receivable

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

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

Provision for slow-moving inventories

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

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions and on the Company's historical trend. Additional information is disclosed in Note 14.

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is disclosed in Note 14.

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 2020 taking into consideration the major economic challenges. The budget addresses the following:

- safeguarding the Company's varied customer base to ensure adequate sales volumes subject to risk mitigation process;
- improving margins by cost optimization and operational efficiency;
- 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.

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, management is taking steps to address currency risk by matching sources and applications of funds, as applicable. Furthermore, management is considering options available to secure foreign currency inflows to settle any obligations in foreign currency to non-resident suppliers and certain resident suppliers. Moreover, management is monitoring closely the Central Bank initiatives for funding certain manufacturing sectors with foreign currencies to benefit from such initiatives, if any.

With respect to the quarry permit, management's plan is ready to be submitted to the Ministry of Environment as required once applications can be submitted. Management expects the extension of specific permits for a limited period to operate the quarries for the production need of 2020.

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, 2019 LBP'000	December 31, 2018 LBP'000
Banks' current accounts	4,006,707	1,507,199
Cheques under collection	317,270	165,447
	4,323,977	1,672,646

Banks' current accounts are segregated into the following currencies:

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Lebanese Pounds	2,623,090	686,371
U.S. Dollar	1,383,617	820,828
	4,006,707	1,507,199

Current accounts at banks do not earn interest.

6. ACCOUNTS RECEIVABLE

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Trade receivables	1,170,652	1,150,035
Due from related parties (Note 12)	4,883,962	6,693,777
Less: Allowance for credit loss – Credit impaired	(54,731)	(54,731)
	5,999,883	7,789,081

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

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

	December 31, 2018		
	Balance	Number of Clients	Percentage
	LBP'000		%
Between LBP200million and LBP300million	233,389	1	20
Between LBP100million and LBP200million	259,929	2	23
Between LBP50million and LBP100million	112,022	2	10
Between LBP10million and LBP50million	274,038	12	24
Below LBP10million	14,336	27	1
Checks under collection	256,321	-	22
	1,150,035	44	100

The aging of trade receivables as at December 31, 2019 and 2018 is detailed as follows:

	December 31,	
	2019	2018
	LBP'000	LBP'000
Not due	207,666	206,317
Up to 3 months	371,007	145,458
Over 3 months	454,419	541,939
Checks under collection - current	137,560	256,321
	1,170,652	1,150,035

The credit limit granted to customers is between 30 days and 90 days. No interest is charged on past due trade receivables.

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

7. INVENTORIES

	December 31,	
	2019	2018
	LBP'000	LBP'000
Raw materials and combustibles	1,024,833	1,493,091
Spare parts	1,381,526	1,380,654
Finished goods – white cement	755,202	643,843
Work in progress	2,462,367	3,292,589
	5,623,928	6,810,177
Goods in transit	-	-
Less: Provision for obsolete inventory	(595,552)	(652,725)
	5,028,376	6,157,452

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

	2019 LBP'000	2018 LBP'000
Balance at January 1	652,725	664,008
Write-back	(57,173)	(11,283)
Balance at December 31	595,552	652,725

8. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2019 LBP'000	2018 LBP'000
Advances to suppliers	20,689	55,367
Value added tax receivable	56,151	67,943
Other receivables	91,661	83,703
	168,501	207,013

9. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Land LBP'000	Buildings LBP'000	Installations and Equipment LBP'000	Vehicles LBP'000	Furniture and Fixtures LBP'000	Total LBP'000
Cost:						
Balance - January 1, 2018	4,456,890	7,193,423	21,671,787	331,572	274,393	33,928,065
Additions	-	-	1,485,669	-	-	1,485,669
Balance - December 31, 2018	4,456,890	7,193,423	23,157,456	331,572	274,393	35,413,734
Additions	-	-	970,133	-	-	970,133
Balance - December 31, 2019	4,456,890	7,193,423	24,127,589	331,572	274,393	36,383,867
Accumulated Depreciation:						
Balance - January 1, 2018	-	(6,718,022)	(17,056,874)	(328,509)	(260,257)	(24,363,662)
Charge for the year (Note 20)	-	(62,147)	(643,175)	(2,450)	(2,203)	(709,975)
Balance - December 31, 2018	-	(6,780,169)	(17,700,049)	(330,959)	(262,460)	(25,073,637)
Charge for the year (Note 20)	-	(53,929)	(704,946)	(613)	(2,203)	(761,691)
Balance - December 31, 2019	-	(6,834,098)	(18,404,995)	(331,572)	(264,663)	(25,835,328)
Net Book Value:						
December 31, 2019	4,456,890	359,325	5,722,594	-	9,730	10,548,539
December 31, 2018	4,456,890	413,254	5,457,407	613	11,933	10,340,097

10. ACCOUNTS PAYABLE

	December 31,	
	2019	2018
	LBP'000	LBP'000
Trade payables	1,640,825	2,373,786
Due to related parties (Note 12)	3,685,378	262,876
	5,326,203	2,636,662

Trade payables consist of trading suppliers' balances and these accounts are non-interest bearing and carry short-term maturities.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	2019	2018
	LBP'000	LBP'000
Accrued rebates	86,210	275,202
Other accrued expenses	343,542	345,586
Dividend payable (Note 18)	427,647	498,300
Advances from customers	-	7,870
Taxes withheld on salaries	54,640	69,037
Social security dues	15,764	12,578
	927,803	1,208,573

12. 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.

This caption consists of the following:

	December 31, 2019		December 31, 2018	
	Due From	Due To	Due From	Due To
	LBP'000	LBP'000	LBP'000	LBP'000
Current:				
Holcim Liban S.A.L. – Parent Company	4,883,962	3,672,371	6,347,773	249,869
Holcim Beton S.A.L. – Fellow subsidiary	-	-	346,004	-
Societe Carriere de Jieh S.A.R.L.				
Other related party	-	13,007	-	13,007
	4,883,962	3,685,378	6,693,777	262,876

Above related parties balances are current in nature, do not carry any interest and denominated in Lebanese Pounds.

During the year, the Company carried out the following transactions with the parent company:

	2019 LBP'000	2018 LBP'000
Dividend distribution	2,672,760	3,955,685
Purchase of goods	3,739,108	3,537,287
Purchase of services	386,432	425,817
Interest income on loan (Note 21)	1,329,844	994,609
Technical assistance (Note 20)	576,999	790,307
Recharged costs from a related party (Note 20)	630,899	593,324

In addition, the Company purchased goods from Lafarge Holcim Trading Ltd in the amount of LBPLBP586million during 2018 (nil during 2019).

	December 31,	
	2019 LBP'000	2018 LBP'000
Loan to the Parent Company:		
Holcim Liban S.A.L.	12,060,000	12,060,000
Accrued interest receivable	4,883,962	6,347,773
	16,943,962	18,407,773

The loan to the Parent Company matures on December 31, 2024. The loan was subject to an average interest rate of 7.2% during the year 2019 (5% in 2018). Accrued interest receivable was classified as current.

Interest income for the year 2019 amounted to LBP1.33billion (LBP995million during 2018) and was recorded under "Finance income, net" in the statement of profit or loss and other comprehensive income (Note 21).

13. PROVISION FOR RISK AND CHARGES

Provision for risk and charges is split as follows:

	December 31,	
	2019 LBP'000	2018 LBP'000
Current	-	250,000
Non-current	45,225	45,225

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

	Legal claims LBP'000	Others LBP'000	Total LBP'000
Balance at January 1, 2018	1,809,001	45,225	1,854,226
Additions	-	250,000	250,000
Write-back	(1,809,001)	-	(1,809,001)
Balance at December 31, 2018	-	295,225	295,225
Write-back	-	(7,000)	(7,000)
Settlements	-	(243,000)	(243,000)
Balance at December 31, 2019	-	45,225	45,225

During 2018, the Company's records were subject to review by the income tax department in respect of the fiscal years 2013 to 2015. The final tax assessment amounted to LBP243million paid during February 2019. A provision of LBP250million was accrued for as at December 31, 2018 to cover for such an exposure against "Other taxes" under cost of sales for the year ended December 31, 2018 (Note 20).

In prior years, legal claims were provided for related to litigation involving a previous employee requesting additional indemnity. During 2018, a final court decision was made in favor of the Company. Accordingly, an amount of LBP1.8billion was written-back and recorded under the statement of profit or loss and other comprehensive income for the year ended December 31, 2018.

14. RETIREMENT BENEFIT OBLIGATIONS

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

The movement in the statement of financial position during the year was as follows:

	2019 LBP'000	2018 LBP'000
Balance at January1	1,082,268	1,240,931
Current service cost	33,539	67,909
Interest expense	7,025	11,137
Total amount recognized in profit or loss	40,564	79,046
Re-measurements:		
Actuarial changes arising from changes in assumptions	(484)	(20,282)
Experience gains	(93,299)	(217,427)
Total amount recognized in other comprehensive income	(93,783)	(237,709)
Benefit payments during the year	(74,190)	-
Balance at December 31	954,859	1,082,268

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, 2019, 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 dates have been calculated based on the following actuarial assumptions:

	2019	**2018**
Discount rate	5.6%	5.3%
Expected rate of return on contributions	5.0%	5.0%
Salary growth rate	4.0%	4.0%
Mortality rate	None	None
Turnover rate	None	None
Retirement age	Earliest of 64 or completion of 35 years of contribution	Earliest of 64 or completion of 35 years of contribution

15. INCOME TAX EXPENSE

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

	2019 **LBP'000**	**2018** **LBP'000**
Profit before tax	3,448,707	10,049,680
Income tax expense at statutory rate of 17%	586,280	1,708,446
Effect of expense not deductible for tax purposes:		
Provision for risk and charges	-	42,500
Provision for obsolete inventory	2,589	482
Taxes	20,552	15,895
Effect of revenue not taxable for tax purposes:		
Write-back for provision for risk and charges	-	(222,263)
Write-back of provision for rebates	(32,129)	(31,447)
Interest income from loan to a related party	(226,074)	(169,084)
Other income	(11,964)	(19,877)
Total current income tax expense	339,254	1,324,652

The Company's tax returns for the years 2016 to 2019 and VAT declarations for the years 2015 to 2019 remain subject to examination and final assessment by the tax authorities and any additional tax liability depends on the outcome of such a review.

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

Movement in the current income tax liability is as follows:

	2019 LBP'000	2018 LBP'000
Balance at January 1,	1,324,652	1,214,375
Provision for the year	339,254	1,324,652
Payments during the year	(1,324,652)	(1,214,375)
Balance at December 31,	339,254	1,324,652

The deferred tax liability of LBP446million relates mainly to the capital gains tax applicable to the revaluation surplus (Note 17).

16. CAPITAL

As at December 31, 2019 and 2018, the Company's capital amounting to LBP13.5billion consists of 9,000,000 shares with a par value of LBP1,500 each, authorized and fully paid.

17. 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 share capital. The legal reserve is not available for distribution to the shareholders.

Other reserve

Other reserve of LBP4billion represents the amount of the revaluation reserve net of tax of LBP446million that arose on revaluation of property and equipment in 1997. The revaluation surplus is subject to capital gains tax. Accordingly, a deferred tax liability of LBP446million is carried in respect of this temporary difference (Note 15).

18. DIVIDENDS DISTRIBUTION

On June 24, 2019, the Ordinary General Assembly approved the distribution of dividends to shareholders in the amount of LBP4.5billion (LBP500 per share).

On July 10, 2018, the Ordinary General Assembly approved the distribution of dividends to shareholders in the amount of LBP6.7billion (LBP740 per share).

An amount of LBP428million is outstanding as dividend payable as at December 31, 2019 (LBP498million as at December 31, 2018).

19. NET SALES

	Year Ended December 31,	
	2019	2018
	LBP'000	LBP'000
White cement	14,779,592	20,109,223
Discounts	(354,875)	(302,100)
	14,424,717	19,807,123

There was a concentration of sales in respect of seven major customers who account for 43% (2018: 4 major customers account for 37%) of total sales for the year.

20. EXPENSES BY NATURE

This caption comprises the following for the year ended December 31:

	2019			
	Cost of Sales	Distribution Expenses	General and Administrative Expenses	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Combustibles	3,518,935	-	-	3,518,935
Raw materials	1,588,499	28,690	-	1,617,189
Salaries and related charges	1,830,379	203,254	55,111	2,088,744
Spare parts, consumables and maintenance expense	664,347	92,767	-	757,114
Energy consumption	772,172	3,270	-	775,442
Technical assistance (Note 12)	-	-	576,999	576,999
Depreciation charge (note 9)	758,520	3,171	-	761,691
Packing materials	-	374,447	-	374,447
Contractual employees	249,683	82,402	-	332,085
Other third party services	29,332	440	-	29,772
Other taxes	405,251	-	467	405,718
Changes in inventories of finished goods and work in progress	718,862	-	-	718,862
Other expenses - net	129,169	6,266	229,556	364,991
	10,665,149	794,707	862,133	12,321,989

	2018			
	Cost of Sales	Distribution Expenses	General and Administrative Expenses	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Combustibles	3,460,849	-	-	3,460,849
Raw materials	2,295,281	33,567	-	2,328,848
Salaries and related charges	1,899,262	190,433	57,644	2,147,339
Spare parts, consumables and maintenance expenses	1,333,182	158,725	-	1,491,907
Energy consumption	1,193,210	4,757	-	1,197,967
Technical assistance (Note 12)	-	-	790,307	790,307
Depreciation charge (Note 9)	709,975	-	-	709,975
Packing materials	-	540,102	-	540,102
Contractual employees	281,414	101,099	-	382,513
Other third party services	984	32,000	-	32,984
Other taxes (Note 13)	564,929	-	-	564,929
Changes in inventories of finished goods and work in progress	(1,741,504)	-	-	(1,741,504)
Other expenses	179,865	7,197	201,700	388,762
	10,177,447	1,067,880	1,049,651	12,294,978

Salaries and related charges consist of the following:

	Year Ended December 31,	
	2019	2018
	LBP'000	LBP'000
Salaries	1,071,341	1,060,047
Costs recharged from a related party (Note 12)	630,899	593,324
Transportation	50,376	49,928
National social security contributions	171,523	169,489
Other benefits	164,605	274,551
	2,088,744	2,147,339

21. FINANCE INCOME – NET

	Year Ended December 31,	
	2019	2018
	LBP'000	LBP'000
Interest income on a loan granted to the Parent Company (Note 12)	1,329,844	994,609
Interest income on bank accounts	101	61,254
Other charges	(43,082)	(88,695)
	1,286,863	967,168

22. STATEMENT OF CASH FLOWS

The following non-cash transaction was excluded from the statement of cash flows during 2019:

- Dividends declared but not yet paid amounting to LBP70million.

Liabilities arising from financing activities for the year ended December 31, 2019 and 2018 relates entirely to due to banks and are cash changes.

23. 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 2019 and 2018. Equity comprises capital, share premium, reserves and retained earnings, and is measured at LBP29.7billion as at December 31, 2019 (2018: LBP31billion).

24. 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.

(b) Credit Risk:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets which potentially subject the Company to credit risk consist mainly of cash at banks and trade receivables. As shown in note 6 above, concentration of credit risk exists whereby four customers represent 60% of total trade receivables as at December 31, 2019 (five customers represent 53% as at December 31, 2018).

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

(c) Liquidity and Country 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 bank trade finance facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Most of the Company's financial assets and financial liabilities are current or due within short period except loan to the parent company (Note 12).

As a result of the social unrest and demonstrations prevailing in Lebanon since October 17, 2019, the banking community as a whole, has been exposed to business disruptions and run of depositors after days of closure which, in conjunction with the further downgrade of sovereign credit risk to "C" grade coupled with credit default, as well as the specific similar credit downgrade of certain local banks which are rated, have raised incremental credit risks and uncertainties associated with economic and political conditions in the Republic of Lebanon, including but not limited to, access to foreign currency, capital flows and free outflow of movement of funds, legal and regulatory landscape, and other adverse factors contributing to disruptions to the operations and to regular banking practices.

The Company's management recognizes the difficulties involved in predicting all developments in the Lebanese economy and consequently, what effect, if any, they could have on the future financial performance, cash flows, and financial position of the Company. The Company's management is aware of all risks and developed a stress scenario for business continuity along with any possible impact on the Company's financial statements. Refer to Note 4.

(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 has no significant liabilities subject to interest. The Company's major interest bearing asset is the loan to the parent company that is subject to variable interest rate. A 1% change in interest rate would impact the Company's profitability by LBP121million.

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 carrying amounts of the foreign currency denominated monetary assets and liabilities of the Company at the reporting date are as follows:

	2019			
	LBP	USD	EUR	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Cash and cash equivalents	2,864,985	1,458,992	-	4,323,977
Accounts receivable	-	5,999,883	-	5,999,883
Loan to the parent company	-	12,060,000	-	12,060,000
	2,864,985	19,518,875	-	22,383,860
Accounts payable	4,138,110	972,789	215,304	5,326,203
Accrued expenses and other liabilities	498,051	-	-	498,051
Current income tax liability	339,254	-	-	339,254
	4,975,415	972,789	215,304	6,163,508
Net position	(2,110,430)	18,546,086	(215,304)	16,220,352

	2018			
	LBP	USD	EUR	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Cash and cash equivalents	851,818	820,828	-	1,672,646
Accounts receivable	-	7,789,081	-	7,789,081
Loan to the parent company	-	12,060,000	-	12,060,000
	851,818	20,669,909	-	21,521,727
Due to banks	-	31,093	-	31,093
Accounts payable	2,363,362	212,999	60,301	2,636,662
Accrued expenses and other liabilities	579,915	-	-	579,915
Current income tax liability	204,942	-	-	204,942
	3,148,219	244,092	60,301	3,452,612
Net position	(2,296,401)	20,425,817	(60,301)	18,069,115

25. POST BALANCE SHEET EVENT

Since the accounts were closed on December 31, 2019, the Novel Coronavirus (Covid-19) pandemic was confirmed. As of the date of the financial statements, the Company's management is not aware of any uncertainties in this respect that may cast a significant doubt on the Company's ability to continue as a going concern. As such, the financial statements for the year ended December 31, 2019 are prepared on going concern basis.

Company's activities started to be impacted by COVID-19 starting mid-March 2020. Due to the recent nature of this pandemic, the impact on the Company cannot be reasonably quantified at the date of issuance of these financial statements. Furthermore, this event does not have any impact on the financial statements for the year ended December 31, 2019, or the Company's ability to continue as a going concern

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2019 were approved and authorized for issue on July 10, 2020 by the Board of Directors.