

**SOCIETE LIBANAISE DES  
CIMENTS BLANCS S.A.L.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED DECEMBER 31, 2021**

**SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.**  
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## INDEPENDENT AUDITOR'S REPORT

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

### *Adverse Opinion*

We have audited the financial statements of Société Libanaise des Ciments Blancs S.A.L. (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not present fairly the financial position of the Company as at December 31, 2021, 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*

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, 2021. 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. Our opinion in prior year was also modified in respect of this matter.

As explained in note 3 to the financial statements, the Company has translated transactions and assets and liabilities denominated in foreign currencies, using the parallel market exchange rates prevailing at the date of the transactions and at the reporting date, and has not translated transactions and monetary assets and liabilities denominated in foreign currencies at the appropriate 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.

Cash and cash equivalents which are carried in the statement of financial position at LBP6billion (2020: LBP5.5billion) includes balances with Lebanese banks of LBP6billion (2020: LBP5.4billion). Management has not stated balances with Lebanese banks net of an allowance for expected credit losses which takes into account the significant deterioration in credit quality since initial recognition which has arisen as a result of the continuing economic crisis in Lebanon and the government default on Eurobonds, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.

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

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Except for the matters described in the Basis for Adverse Opinion section of our report, we have determined that there are no other key audit matters to communicate in our report.

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

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

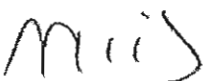
Beirut, Lebanon  
June 22, 2022

  
Deloitte & Touche

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

| <u>ASSETS</u>                                 | <u>Notes</u> | <u>December 31,</u> |                   |
|---|--------------|---------------------|-------------------|
|   |              | <u>2021</u>         | <u>2020</u>       |
|   |              | <u>LBP'000</u>      | <u>LBP'000</u>    |
| <b>Current Assets:</b>                        |              |                     |                   |
| Cash and cash equivalents                     | 5            | 6,057,611           | 5,433,905         |
| Accounts receivable                           | 6            | 182,547             | 1,110,006         |
| Inventories                                   | 7            | 19,124,242          | 5,191,046         |
| Other assets                                  | 8            | <u>13,420,968</u>   | <u>3,856,551</u>  |
| <b>Total current assets</b>                   |              | <u>38,785,368</u>   | <u>15,591,508</u> |
| <b>Non-Current Assets:</b>                    |              |                     |                   |
| Property and equipment                        | 9            | 16,449,262          | 9,780,298         |
| Loan to the parent company                    | 12           | <u>12,060,000</u>   | <u>12,060,000</u> |
| <b>Total non-current assets</b>               |              | <u>28,509,262</u>   | <u>21,840,298</u> |
| <b>Total Assets</b>                           |              | <u>67,294,630</u>   | <u>37,431,806</u> |
| <br><u>LIABILITIES</u>                        |              |                     |                   |
| <b>Current Liabilities:</b>                   |              |                     |                   |
| Accounts payable                              | 10           | 18,777,845          | 1,980,647         |
| Accrued expenses and other liabilities        | 11           | 1,164,036           | 1,538,114         |
| Current income tax liability                  | 14 (a)       | 2,497,918           | 739,254           |
| Deferred income                               |              | <u>174,098</u>      | <u>183,528</u>    |
| <b>Total current liabilities</b>              |              | <u>22,613,897</u>   | <u>4,441,543</u>  |
| <b>Non-current Liabilities:</b>               |              |                     |                   |
| Provision for risk and charges                |              | 45,225              | 45,225            |
| Retirement benefit obligations                | 13           | 1,831,166           | 675,087           |
| Deferred tax liability                        | 14 (b)       | <u>445,632</u>      | <u>445,632</u>    |
| <b>Total non-current liabilities</b>          |              | <u>2,322,023</u>    | <u>1,165,944</u>  |
| <b>Total Liabilities</b>                      |              | <u>24,935,920</u>   | <u>5,607,487</u>  |
| <br><u>EQUITY</u>                             |              |                     |                   |
| Capital                                       | 15           | 13,500,000          | 13,500,000        |
| Share premium                                 |              | 2,656               | 2,656             |
| Legal reserve                                 | 16           | 4,500,000           | 4,500,000         |
| Other reserve                                 | 16           | 4,010,692           | 4,010,692         |
| Re-measurement of defined benefit obligations | 13           | ( 626,131)          | 631,817           |
| Retained earnings                             |              | <u>20,971,493</u>   | <u>9,179,154</u>  |
| <b>Total equity</b>                           |              | <u>42,358,710</u>   | <u>31,824,319</u> |
| <b>Total Liabilities and Equity</b>           |              | <u>67,294,630</u>   | <u>37,431,806</u> |

The accompanying financial statements were approved for issue by the Board of Directors on June 17, 2022 and were signed on its behalf by:

  
\_\_\_\_\_  
Mr. Jamil Bou Haroun  
Chief Executive Officer

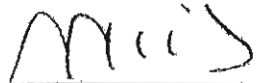
  
\_\_\_\_\_  
Mr. Mario Dib  
Chief Financial Officer


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,        |                   |
|  |       | 2021                | 2020              |
|  |       | LBP'000             | LBP'000           |
| Net sales  | 17    | 42,198,781          | 12,409,978        |
| Cost of sales  | 18    | ( 22,167,933)       | ( 9,105,420)      |
| Gross profit   |       | <u>20,030,848</u>   | <u>3,304,558</u>  |
| Distribution expenses  | 18    | ( 3,147,175)        | ( 817,017)        |
| General and administrative expenses  | 18    | ( 2,574,572)        | ( 727,191)        |
| Allowance for credit loss on accounts receivable   | 6     | -                   | ( 52,762)         |
| Provision for obsolete inventory   | 7     | ( 408,057)          | ( 125,953)        |
| Finance income, net  | 19    | 400,482             | 739,973           |
| Net foreign exchange loss  |       | ( 79,187)           | ( 542)            |
|  |       | <u>( 5,808,509)</u> | <u>( 983,492)</u> |
| Profit before income tax   |       | 14,222,339          | 2,321,066         |
| Income tax expense   | 14    | ( 2,430,000)        | ( 400,000)        |
| Profit for the year  |       | <u>11,792,339</u>   | <u>1,921,066</u>  |
| Other comprehensive income for the year:   |       |                     |                   |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>                             |       |                     |                   |
| Remeasurement of defined benefit obligations   | 13    | ( 1,257,948)        | 202,775           |
| Total other comprehensive (loss)/income for the year   |       | <u>( 1,257,948)</u> | <u>202,775</u>    |
| Total comprehensive income for the year  |       | <u>10,534,391</u>   | <u>2,123,841</u>  |
| Profit for the year (LBP'000)  |       | 11,792,339          | 1,921,066         |
| 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) |       | <u>1,310</u>        | <u>213</u>        |

The accompanying financial statements were approved for issue by the Board of Directors on June 17, 2022 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**

|   | <u>Capital</u><br>LBP'000 | <u>Share</u><br><u>Premium</u><br>LBP'000 | <u>Legal</u><br><u>Reserve</u><br>LBP'000 | <u>Other</u><br><u>Reserve</u><br>LBP'000 | <u>Re-measurement</u><br><u>of Defined</u><br><u>Benefit</u><br><u>Obligations</u><br>LBP'000 | <u>Retained</u><br><u>Earnings</u><br>LBP'000 | <u>Total</u><br>LBP'000 |
|---|---------------------------|---|---|---|---|---|-------------------------|
| Balance at January 1, 2020              | 13,500,000                | 2,656                                     | 4,500,000                                 | 4,010,692                                 | 429,042   | 7,258,088                                     | 29,700,478              |
| Total comprehensive income for the year | -                         | -   | -   | -   | 202,775   | 1,921,066                                     | 2,123,841               |
| Balance at December 31, 2020            | 13,500,000                | 2,656                                     | 4,500,000                                 | 4,010,692                                 | 631,817   | 9,179,154                                     | 31,824,319              |
| Total comprehensive income for the year | -                         | -   | -   | -   | ( 1,257,948)  | 11,792,339                                    | 10,534,391              |
| Balance at December 31, 2021            | <u>13,500,000</u>         | <u>2,656</u>                              | <u>4,500,000</u>                          | <u>4,010,692</u>                          | <u>( 626,131)</u>   | <u>20,971,493</u>                             | <u>42,358,710</u>       |

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

|   | <u>Notes</u> | <u>Year Ended</u><br><u>December 31,</u> |                  |
|---|--------------|--|------------------|
|   |              | <u>2021</u>                              | <u>2020</u>      |
|   |              | <u>LBP'000</u>                           | <u>LBP'000</u>   |
| <b>Cash flows from operating activities</b>                   |              |  |                  |
| Profit for the year   |              | 11,792,339                               | 1,921,066        |
| Adjustments for:  |              |  |                  |
| Depreciation  | 9            | 857,721                                  | 768,241          |
| Provision for income tax expense                              | 14           | 2,430,000                                | 400,000          |
| Provision for retirement benefit obligations                  | 13           | 20,482                                   | 31,784           |
| Allowance for credit loss on accounts receivable              | 6            | -  | 52,762           |
| Provision for obsolete inventory                              | 7            | 408,057                                  | 125,953          |
|   |              | <u>15,508,599</u>                        | <u>3,299,806</u> |
| <b>Operating cash flow from changes in working capital</b>    |              |  |                  |
| Increase in inventories                                       |              | ( 14,341,253)                            | ( 288,623)       |
| Decrease in trade receivables                                 |              | 186,138                                  | 694,474          |
| Increase in other assets                                      |              | ( 9,165,279)                             | ( 187,992)       |
| Increase in trade payables                                    |              | 8,133,063                                | 326,815          |
| (Decrease)/increase in accrued expenses and other liabilities |              | ( 374,078)                               | 610,311          |
| Net change in the related parties balances                    |              | 9,006,318                                | ( 3,029,788)     |
| Decrease in deferred income                                   |              | ( 9,430)                                 | ( 206,294)       |
| Income tax paid   |              | ( 671,336)                               | -                |
| Benefit payments related to retirement benefit obligations    | 13           | ( 122,351)                               | ( 108,781)       |
| Net cash generated from operating activities                  |              | <u>8,150,391</u>                         | <u>1,109,928</u> |
| <b>Cash flow from investing activities</b>                    |              |  |                  |
| Acquisition of property and equipment                         | 9            | ( 7,526,685)                             | -                |
| Net cash used in investing activities                         |              | <u>( 7,526,685)</u>                      | <u>-</u>         |
| <b>Net increase in cash and cash equivalents</b>              |              |  |                  |
| Cash and cash equivalents - Beginning of year                 |              | 5,433,905                                | 4,323,977        |
| Cash and cash equivalents - End of year                       | 5            | <u>6,057,611</u>                         | <u>5,433,905</u> |

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**SOCIETE LIBANAISE DES CIMENTS BLANCS S.A.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 Holcim Ltd. and the address of its registered office is Grafenauweg 10-6300 Zug-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 and the banking system in particular. Restrictions on cash withdrawals in Lebanese pound and foreign currencies as well as transfers of 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 the banking sector and the debt and exchange markets. 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. Banks have imposed unofficial strict capital controls, ceased financing activities and stopped attracting deposits. The banking sector endures in a segmented payment system that differentiates between the pre-crisis 'legacy dollar' (onshore dollars) deposits and the post crisis 'fresh dollar' (offshore dollars) inflows, yet minimal. The legacy dollar deposits are subject to sharp deleveraging through de facto lirafication. 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 (see below). The Lebanese currency continues to lose value as inflation rates remain in the triple digits. This has resulted in an uncontrolled rise in prices and in the consumer price index; lifting import subsidies on food, fuel and medication; loss of confidence in the economy and deterioration in the economic fundamentals.

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

On April 30, 2020, the Lebanese Council of Ministers approved the Lebanese Government's Financial Recovery 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 financial statements with no progress made so far.

In 2021, the economic and financial crises persisted with no advancement with respect to the reforms or the financial recovery plan. This led to greater shortage in the supply of foreign currency and pressure on foreign currency reserves at the Central Bank of Lebanon. This eventually led the Government to cancel the majority of government subsidies of products, including fuel and medication, and the significant rise of exchange rates of foreign currencies both on the regulated Sayrafa platform and the unregulated parallel market.

### **Foreign Exchange Rates**

Since the last quarter of 2019, several exchange rates emerged deviating significantly from each other and from the official peg of 1507.5 LBP/USD as at December 31, 2021 and December 31, 2020.

- Basic Circular # 151 of the Central Bank of Lebanon "Cash Withdrawals from Foreign Currency Bank Accounts"  
Basic Circular 151 dated April 21, 2020 provides withdrawals of pre-crisis customers' deposits in foreign currencies with banks, at the rate of 3,900 LBP / USD, which was then increased to 8,000 LBP / USD and within a maximum monthly limit of USD 3,000 by bank account. This circular is currently effective until June 30, 2022.
- Basic Circular of the Central Bank of Lebanon # 157 "Exceptional Procedures on Foreign currency Operations"  
Basic Circular 157 was issued on May 10, 2021 enacting the legal and regulatory framework of the 'Sayrafa' foreign exchange trading platform developed by the Central Bank of Lebanon. Transactions that can be conducted on the 'Sayrafa' platform consist of purchasing LBP in exchange of fresh foreign currency and purchasing fresh foreign currency in exchange of LBP. The bid/ask spread that banks are allowed to achieve, is capped at 1% of the purchase price. The Central Bank of Lebanon may at its sole discretion, interfere on the Platform to stabilize the exchange rate. The 'Sayrafa' platform is not available for trading onshore pre-crisis foreign currency bank accounts as these are subject to unofficial capital control.

The average daily trading exchange rates and daily volume of foreign currency traded on the Sayrafa platform are published on the Central Bank of Lebanon website.

The Sayrafa exchange rates are disclosed under Note 3.

- Basic Circular of the Central Bank of Lebanon # 158 “Exceptional Measures for the Gradual Withdrawal of Deposits in Foreign currencies”

Basic Circular 158, applicable for individuals only, was issued on June 8, 2021 setting out an exceptional framework for the settlement of onshore foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met. Customers’ monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000, noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

As mentioned above, given the foreign currency supply shortage, a parallel market emerged since late 2019, early 2020, with exchange rates significantly deviating from the official peg. The parallel market is not regulated. The parallel market exchange rates are disclosed under Note 3.

### **The Company’s Financial particulars – Translation of foreign currency transactions and balances**

The existence of multiple foreign exchange rates as well as the accessibility to such rates, necessitates the review of the appropriate exchange rates that entities should use in accounting for and reporting their foreign currency transactions. The judgment of which foreign exchange (FX) rate to use depends on the official FX rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. This should take into account the specific facts and circumstances relating to each transaction or balance.

In the light of uncertainties, management determined the rates at which future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Company’s transactions and onshore and offshore monetary assets and liabilities in foreign currencies were converted into Lebanese pound at the official exchange rate peg of USD1 = LBP1,507.5 and the parallel market rate, respectively. The parallel market exchange rate does not meet the criteria required by IAS 21, as it does not represent a legal reasonable estimate of expected cash flows that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the transaction or of the financial statements.

The Company being in need of hard currency for import and since banks were not performing this role, even with deploying Sayrafa platform by central bank that was limited “in practice” to certain type of industries (such as food or medication), 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 2021 a total amount of LBP284.8million (nil in 2020) that resulted in a total amount of USD15.6thousand (nil in 2020).

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

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

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interest Rate Benchmark Reform “phase two” amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform.

- The amendments apply to all entities and are not optional.
- The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted.

19-Related Rent Concessions beyond June 30, 2021 [IFRS 16]

In May 2020 the International Accounting Standards Board (IASB) amends IFRS 16, which relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification, that applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2021. In March 2021, IASB extended the availability of the practical expedient to rent concessions for which any reduction in lease payments affects payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient.

- The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted.

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

The following IFRS have been issued but are not yet effective and have not been early adopted by the Company. The Company intends to adopt them when they become effective.

|   |   |
|---|---|
| IFRS 17<br><i>Contracts Insurance</i>   | The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023.   |
| Amendments to IAS 1   | <i>Classification of Liabilities as Current or Non-current</i><br>The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.  |
| Amendments to IFRS 3<br><i>Reference to the Conceptual Framework</i>                      | The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022.<br>Early application is permitted if an entity also applies all other updated references (published together with the updated <i>Conceptual Framework</i> ) at the same or earlier. |
| Amendments to IAS 16<br><i>Property, Plant and Equipment—Proceeds before Intended Use</i> | The amendments are effective for annual periods beginning on or after January 1, 2022, with early application Permitted.  |
| Amendments to IAS 37<br><i>Onerous Contracts – Cost of Fulfilling a Contract</i>          | The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.  |
| Annual Improvements to IFRS Standards 2018-2020 Cycle                                     | <i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.</i><br>The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.   |
| Amendment to IFRS 4   | Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after January 1, 2023.  |
| Amendment to IAS 1 and IFRS Practice Statement 2  | <i>Disclosure of accounting policies</i><br>the amendment is effective for annual periods beginning on or after January 1, 2023.  |
| Amendments to IAS 8   | <i>Definition of accounting estimates</i><br>The amendment is effective for annual periods beginning on or after January 1, 2023.   |

Management anticipates that these new Standards, Interpretations and amendments will be adopted in the Company's financial statements for the period of initial application 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.

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 thousand, except when indicated otherwise.

The Company has opted not to present consolidated financial statements as at December 31, 2021 and 2020 as required by IFRS, on the basis that the accounts are consolidated at the level of the ultimate parent company 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, 2021 and 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, 2021 and 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 tax authorities.

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:

|  | <u>Rate</u> |
|--|-------------|
|  | %           |
| Buildings                                | 6           |
| Industrial machinery and equipment       | 8           |
| Vehicles                                 | 25          |
| Furniture, fixtures and office equipment | 8           |

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized under "Gain/loss on disposal of property and equipment" in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

**E. 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 recognized 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 recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

**F. Taxation:**

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

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

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

**G. Provisions:**

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

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

**H. Revenue Recognition:**

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

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

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

**I. Borrowing Cost:**

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

**J. Impairment of Tangible and Intangible Assets:**

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

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

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

## K. Foreign Currencies:

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the parallel market rates of exchange prevailing at the dates of the transactions in accordance with the Ministry of Finance decision 893/1 issued on December 31, 2020 (refer to note 1). By choosing to abide and apply the MoF decision, the Company was not able to comply with IAS21, which defined the spot rate as the rate that is both regulated and used to collect or settle transactions, 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:

|       | 2021               |                |                    | 2020               |                |                 |
|-------|--------------------|----------------|--------------------|--------------------|----------------|-----------------|
|       | <u>Parallel</u>    | <u>Sayrafa</u> | <u>Official</u>    | <u>Parallel</u>    | <u>Sayrafa</u> | <u>Official</u> |
|       | <u>Market Rate</u> | <u>Rate</u>    | <u>Market Rate</u> | <u>Market Rate</u> | <u>Rate</u>    | <u>Rate</u>     |
|       | LBP                | LBP            | LBP                | LBP                | LBP            | LBP             |
| 1 USD | 27,500             | 22,700         | 1,507.5            | 8,400              | N/A            | 1,507.5         |

Average rates:

|       | 2021               |                |                    | 2020               |                |                 |
|-------|--------------------|----------------|--------------------|--------------------|----------------|-----------------|
|       | <u>Parallel</u>    | <u>Sayrafa</u> | <u>Official</u>    | <u>Parallel</u>    | <u>Sayrafa</u> | <u>Official</u> |
|       | <u>Market Rate</u> | <u>Rate</u>    | <u>Market Rate</u> | <u>Market Rate</u> | <u>Rate</u>    | <u>Rate</u>     |
|       | LBP                | LBP            | LBP                | LBP                | LBP            | LBP             |
| 1 USD | 16,800             | 17,395         | 1,507.5            | 7,700              | N/A            | 1,507.5         |

## L. 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.

**M. Cash and Cash Equivalents:**

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

**4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES**

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

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

**Key sources of estimation uncertainty**

***Impairment for accounts receivable***

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

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

***Provision for slow-moving inventories***

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

***Pension benefits***

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



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

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

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

#### Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Management is aware of all risks associated with the situation prevailing in the country and developed a conservative scenario budget for 2022 taking into consideration the major challenges

The 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

|                          | <u>December 31,</u> |                  |
|--------------------------|---------------------|------------------|
|                          | <u>2021</u>         | <u>2020</u>      |
|                          | <u>LBP'000</u>      | <u>LBP'000</u>   |
| Banks' current accounts  | 6,057,611           | 5,375,748        |
| Cheques under collection | -                   | 58,157           |
|                          | <u>6,057,611</u>    | <u>5,433,905</u> |

Banks' current accounts are segregated as follows by currency:

|   | <u>December 31,</u> |                  |
|---|---------------------|------------------|
|   | <u>2021</u>         | <u>2020</u>      |
|   | <u>LBP'000</u>      | <u>LBP'000</u>   |
| Lebanese Pounds                           | 4,973,340           | 4,581,628        |
| Unrestricted U.S. Dollar (offshore/fresh) | 544,542             | -                |
| Restricted U.S Dollar (onshore/local)     | 539,729             | 794,120          |
|   | <u>6,057,611</u>    | <u>5,375,748</u> |



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

In view of the current situation of the country and the banks, management was not able to assess the expected credit losses on bank balances as at December 31, 2021.

Cheques under collection as at December 31, 2020 represent cheques held by the Company at year-end and collected during January 2021.

#### 6. ACCOUNTS RECEIVABLE

|   | December 31,   |                  |
|---|----------------|------------------|
|   | 2021           | 2020             |
|   | LBP'000        | LBP'000          |
| Trade receivables                                 | 290,040        | 476,178          |
| Due from related parties (Note 12)                | -              | 741,321          |
| Less: Allowance for credit loss – Credit impaired | ( 107,493)     | ( 107,493)       |
|   | <u>182,547</u> | <u>1,110,006</u> |

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

|   | December 31, 2021 |           |            |
|---|-------------------|-----------|------------|
|   | Balance           | Number of | Percentage |
|   | LBP'000           | Clients   | %          |
| Between LBP200million and LBP300million | -                 | -         | -          |
| Between LBP100million and LBP200million | 103,008           | 1         | 36         |
| Between LBP50million and LBP100million  | 84,895            | 1         | 29         |
| Between LBP10million and LBP50million   | 87,161            | 4         | 30         |
| Below LBP10million                      | 14,976            | 12        | 5          |
| Checks under collection                 | -                 | -         | -          |
|   | <u>290,040</u>    | <u>18</u> | <u>100</u> |

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

The aging of trade receivables as at December 31, 2021 and 2020 is detailed as follows:

|                                   | <u>December 31,</u> |                |
|-----------------------------------|---------------------|----------------|
|                                   | <u>2021</u>         | <u>2020</u>    |
|                                   | <u>LBP'000</u>      | <u>LBP'000</u> |
| Not Due                           | 181,614             | 255,042        |
| Up to 3 months                    | 35,174              | 29,287         |
| Over 3 months                     | 73,252              | 145,533        |
| Checks under collection - current | -                   | 46,316         |
|                                   | <u>290,040</u>      | <u>476,178</u> |

Since 2020 and due to the economic situation, no credit is granted to customers. No interest is charged on past due trade receivables.

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

|                                  | <u>2021</u>    | <u>2020</u>    |
|----------------------------------|----------------|----------------|
|                                  | <u>LBP'000</u> | <u>LBP'000</u> |
| Balance at January 1             | 107,493        | 54,731         |
| Allowance set up during the year | -              | 52,762         |
| Balance at December 31           | <u>107,493</u> | <u>107,493</u> |

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

|   | <u>December 31,</u> |                   |
|---|---------------------|-------------------|
|   | <u>2021</u>         | <u>2020</u>       |
|   | <u>LBP'000</u>      | <u>LBP'000</u>    |
| Raw materials and combustibles                | 7,760,230           | 631,297           |
| Spare parts                                   | 3,092,492           | 1,652,591         |
| Finished goods - white cement                 | 3,265,923           | 791,028           |
| Work in progress                              | 6,135,159           | 2,837,635         |
|   | <u>20,253,804</u>   | <u>5,912,551</u>  |
| <u>Less:</u> Provision for obsolete inventory | <u>( 1,129,562)</u> | <u>( 721,505)</u> |
|   | <u>19,124,242</u>   | <u>5,191,046</u>  |

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

|                        | <u>2021</u>      | <u>2020</u>    |
|------------------------|------------------|----------------|
|                        | <u>LBP'000</u>   | <u>LBP'000</u> |
| Balance at January 1   | 721,505          | 595,552        |
| Additions              | 408,057          | 125,953        |
| Balance at December 31 | <u>1,129,562</u> | <u>721,505</u> |

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

#### **8. OTHER ASSETS**

This caption consists of the following:

|  | <u>December 31,</u> |                  |
|--|---------------------|------------------|
|  | <u>2021</u>         | <u>2020</u>      |
|  | <u>LBP'000</u>      | <u>LBP'000</u>   |
| Advances to suppliers                                      | 9,505,172           | 320,985          |
| Accrued interest receivables from Parent Company (Note 12) | 3,899,196           | 3,500,058        |
| Other receivables  | 16,600              | 35,508           |
|  | <u>13,420,968</u>   | <u>3,856,551</u> |

Other assets are segregated into the following currencies:

|   | <u>December 31,</u> |                  |
|---|---------------------|------------------|
|   | <u>2021</u>         | <u>2020</u>      |
|   | <u>LBP'000</u>      | <u>LBP'000</u>   |
| Lebanese Pounds                           | 6,144,172           | 200,214          |
| Restricted U.S. Dollar (onshore/local)    | 3,901,610           | 3,534,886        |
| Unrestricted U.S. Dollar (offshore/fresh) | 209,994             | 110,208          |
| Unrestricted Swiss Franc (offshore/fresh) | 1,663,101           | -                |
| Restricted Euro (onshore/local)           | 145                 | -                |
| Unrestricted Euro (offshore/fresh)        | 1,501,946           | 11,243           |
|   | <u>13,420,968</u>   | <u>3,856,551</u> |

**9. PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

|                                  | <u>Land</u><br>LBP'000 | <u>Buildings</u><br>LBP'000 | <u>Installations<br/>and<br/>Equipment</u><br>LBP'000 | <u>Vehicles</u><br>LBP'000 | <u>Furniture<br/>and<br/>Fixtures</u><br>LBP'000 | <u>Total</u><br>LBP'000 |
|----------------------------------|------------------------|-----------------------------|---|----------------------------|--|-------------------------|
| <b>Cost:</b>                     |                        |                             |   |                            |  |                         |
| Balance - January 1, 2020        | 4,456,890              | 7,193,423                   | 24,127,589  | 331,572                    | 274,393  | 36,383,867              |
| Balance - December 31, 2020      | 4,456,890              | 7,193,423                   | 24,127,589  | 331,572                    | 274,393  | 36,383,867              |
| Additions                        | -                      | -                           | 7,526,685   | -                          | -  | 7,526,685               |
| Balance - December 31, 2021      | 4,456,890              | 7,193,423                   | 31,654,274  | 331,572                    | 274,393  | 43,910,552              |
| <b>Accumulated Depreciation:</b> |                        |                             |   |                            |  |                         |
| Balance - January 1, 2020        | -                      | ( 6,834,098)                | ( 18,404,995)   | ( 331,572)                 | ( 264,663)                                       | ( 25,835,328)           |
| Charge for the year (Note 19)    | -                      | ( 32,013)                   | ( 734,026)  | -                          | ( 2,202)   | ( 768,241)              |
| Balance - December 31, 2020      | -                      | ( 6,866,111)                | ( 19,139,021)   | ( 331,572)                 | ( 266,865)                                       | ( 26,603,569)           |
| Charge for the year (Note 19)    | -                      | ( 32,013)                   | ( 823,506)  | -                          | ( 2,202)   | ( 857,721)              |
| Balance - December 31, 2021      | -                      | ( 6,898,124)                | ( 19,962,527)   | ( 331,572)                 | ( 269,067)                                       | ( 27,461,290)           |
| <b>Net Book Value:</b>           |                        |                             |   |                            |  |                         |
| December 31, 2021                | 4,456,890              | 295,299                     | 11,691,747  | -                          | 5,326  | 16,449,262              |
| December 31, 2020                | 4,456,890              | 327,312                     | 4,988,568   | -                          | 7,528  | 9,780,298               |

Additions during the year 2021, mainly represent the cost of filters.

## 10. ACCOUNTS PAYABLE

|                                  | December 31,      |                  |
|----------------------------------|-------------------|------------------|
|                                  | 2021              | 2020             |
|                                  | LBP'000           | LBP'000          |
| Trade payables                   | 10,100,703        | 1,967,640        |
| Due to related parties (Note 12) | 8,677,142         | 13,007           |
|                                  | <u>18,777,845</u> | <u>1,980,647</u> |

Trade payables consist of current trade suppliers' balances, are non-interest bearing and segregated into the following currencies:

|                 | December 31,      |                  |
|-----------------|-------------------|------------------|
|                 | 2021              | 2020             |
|                 | LBP'000           | LBP'000          |
| Lebanese Pounds | 229,160           | 401,319          |
| U.S. Dollar     | 2,452,893         | 1,035,198        |
| Swiss Frank     | 1,422,779         | -                |
| Euro            | 5,995,871         | 531,123          |
|                 | <u>10,100,703</u> | <u>1,967,640</u> |

Trade payables are mainly unrestricted by nature.

## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

|                            | December 31,     |                  |
|----------------------------|------------------|------------------|
|                            | 2021             | 2020             |
|                            | LBP'000          | LBP'000          |
| Accrued rebates            | 70,068           | 81,068           |
| Dividends payable          | 427,647          | 427,647          |
| Value added tax payable    | 28,590           | 446,917          |
| Advances from customers    | 132,836          | 24,780           |
| Taxes withheld on salaries | 80,099           | 75,521           |
| Social security dues       | 17,179           | 19,108           |
| Other accrued expenses     | 407,617          | 463,073          |
|                            | <u>1,164,036</u> | <u>1,538,114</u> |

Accrued expenses and other liabilities are denominated in Lebanese Pound.

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.



### 13. RETIREMENT BENEFIT OBLIGATIONS

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

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

|   | <u>2021</u>      | <u>2020</u>       |
|---|------------------|-------------------|
|   | <u>LBP'000</u>   | <u>LBP'000</u>    |
| Balance at January 1                                  | 675,087          | 954,859           |
| Current service cost                                  | 19,613           | 4,282             |
| Interest expense                                      | 869              | 27,502            |
| Total amount recognised in profit or loss             | <u>20,482</u>    | <u>31,784</u>     |
| Remeasurements:                                       |                  |                   |
| Actuarial changes arising from changes in assumptions | ( 242)           | -                 |
| Experience gains                                      | 1,258,190        | ( 202,775)        |
| Total amount recognised in other comprehensive income | <u>1,257,948</u> | <u>( 202,775)</u> |
| Benefit payments during the year                      | ( 122,351)       | ( 108,781)        |
| Balance at December 31                                | <u>1,831,166</u> | <u>675,087</u>    |

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, 2021, 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:

|  | <u>2021</u>  | <u>2020</u>  |
|--|--|--|
| Discount rate                            | 5.6%   | 5.6%   |
| 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<br>completion of 35<br>years of contribution | Earliest of 64 or<br>completion of 35<br>years of contribution |

#### 14. INCOME TAX EXPENSE

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

|  | <u>2021</u>      | <u>2020</u>    |
|--|------------------|----------------|
|  | <u>LBP'000</u>   | <u>LBP'000</u> |
| Profit before tax                                  | 14,222,339       | 2,321,066      |
| Income tax expense at statutory rate of 17%        | 2,417,798        | 394,581        |
| Effect of expense not deductible for tax purposes: |                  |                |
| Provision for obsolete inventory                   | 69,370           | 21,412         |
| Taxes  | 17,037           | 11,971         |
| Other expenses                                     | 3,773            | 6,005          |
| Effect of revenue not taxable for tax purposes:    |                  |                |
| Provision for rebates                              | -                | 7,200          |
| Interest income from loan to a related party       | ( 74,639)        | ( 131,677)     |
| Other income                                       | ( 3,482)         | ( 5,403)       |
| Income tax on enacted applicable rate              | 2,429,857        | 304,089        |
| Income tax expense recognized                      | <u>2,430,000</u> | <u>400,000</u> |
| Surplus in income tax recognized                   | <u>143</u>       | <u>95,911</u>  |

The Company's tax returns and VAT declarations for the years 2016 to 2021 remain subject to examination and final assessment by the tax authorities and any additional tax liability depends on the outcome of such a review.

Movement in the current income tax liability is as follows:

|                          | <u>2021</u>      | <u>2020</u>    |
|--------------------------|------------------|----------------|
|                          | <u>LBP'000</u>   | <u>LBP'000</u> |
| Balance at January 1,    | 739,254          | 339,254        |
| Provision for the year   | 2,430,000        | 400,000        |
| Payments during the year | ( 671,336)       | -              |
| Balance at December 31,  | <u>2,497,918</u> | <u>739,254</u> |

(b) The deferred tax liability of LBP446million relates mainly to the capital gains tax applicable to the revaluation surplus (Note 16).



## 15. CAPITAL

As at December 31, 2021 and 2020, 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.

## 16. 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 14).

## 17. NET SALES

|              | Year Ended<br>December 31, |                   |
|--------------|----------------------------|-------------------|
|              | 2021<br>LBP'000            | 2020<br>LBP'000   |
| White cement | 42,199,029                 | 12,447,704        |
| Discounts    | ( 248)                     | ( 37,726)         |
|              | <u>42,198,781</u>          | <u>12,409,978</u> |

There was a concentration of sales in respect of the ten major customers who account for 41% (2020: ten major customers for 43%) of total sales for the year.

## 18. EXPENSES BY NATURE

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

|   | 2021              |                  |                  |                   |
|---|-------------------|------------------|------------------|-------------------|
|   | Cost of           | Distribution     | General and      | Total             |
|   | Sales             | Expenses         | Administrative   |                   |
|   | LBP'000           | LBP'000          | Expenses         | LBP'000           |
|   | LBP'000           | LBP'000          | LBP'000          | LBP'000           |
| Combustibles  | 12,974,223        | -                | -                | 12,974,223        |
| Raw materials   | 4,397,693         | 44,811           | -                | 4,442,504         |
| Salaries and related charges                                  | 3,894,509         | 416,319          | 371,757          | 4,682,585         |
| Spare parts, consumables and maintenance expense              | 2,335,455         | 444,702          | -                | 2,780,157         |
| Energy consumption  | 605,231           | 2,199            | -                | 607,430           |
| Technical assistance (Note 12)                                | -                 | -                | 1,687,951        | 1,687,951         |
| Depreciation charge (Note 9)                                  | 851,622           | 6,099            | -                | 857,721           |
| Packing materials   | -                 | 2,056,746        | -                | 2,056,746         |
| Contractual employees   | 459,380           | 166,903          | -                | 626,283           |
| Other third party services                                    | 187,495           | -                | -                | 187,495           |
| Other taxes   | 292,202           | -                | -                | 292,202           |
| Changes in inventories of finished goods and work in progress | ( 5,772,421)      | -                | -                | ( 5,772,421)      |
| Other expenses - net  | 1,942,544         | 9,396            | 514,864          | 2,466,804         |
|   | <u>22,167,933</u> | <u>3,147,175</u> | <u>2,574,572</u> | <u>27,889,680</u> |

|   | 2020             |                |                |                   |
|---|------------------|----------------|----------------|-------------------|
|   | Cost of          | Distribution   | General and    | Total             |
|   | Sales            | Expenses       | Administrative |                   |
|   | LBP'000          | LBP'000        | Expenses       | LBP'000           |
|   | LBP'000          | LBP'000        | LBP'000        | LBP'000           |
| Combustibles  | 4,350,900        | -              | -              | 4,350,900         |
| Raw materials   | 1,147,972        | 22,222         | -              | 1,170,194         |
| Salaries and related charges                                  | 1,894,755        | 228,262        | 43,555         | 2,166,572         |
| Spare parts, consumables and maintenance expense              | 322,648          | 105,157        | -              | 427,805           |
| Energy consumption  | 571,447          | 4,329          | -              | 575,776           |
| Technical assistance (Note 12)                                | -                | -              | 493,446        | 493,446           |
| Depreciation charge (Note 9)                                  | 762,142          | 6,099          | -              | 768,241           |
| Packing materials   | -                | 399,280        | -              | 399,280           |
| Contractual employees   | 168,986          | 46,604         | -              | 215,590           |
| Other third party services                                    | 3,901            | -              | -              | 3,901             |
| Other taxes   | 238,791          | -              | -              | 238,791           |
| Changes in inventories of finished goods and work in progress | ( 411,093)       | -              | -              | ( 411,093)        |
| Other expenses - net  | 54,971           | 5,064          | 190,190        | 250,225           |
|   | <u>9,105,420</u> | <u>817,017</u> | <u>727,191</u> | <u>10,649,628</u> |

Salaries and related charges consist of the following:

|  | Year Ended<br>December 31, |                  |
|--|----------------------------|------------------|
|  | 2021                       | 2020             |
|  | LBP'000                    | LBP'000          |
| Salaries                                       | 2,940,764                  | 1,122,713        |
| Costs recharged from a related party (Note 12) | 1,099,808                  | 566,622          |
| Transportation                                 | 54,960                     | 104,652          |
| National social security contributions         | 449,727                    | 231,487          |
| Other benefits                                 | 137,326                    | 141,098          |
|  | <u>4,682,585</u>           | <u>2,166,572</u> |

**19. FINANCE INCOME – NET**

|  | Year Ended<br>December 31, |                |
|--|----------------------------|----------------|
|  | 2021                       | 2020           |
|  | LBP'000                    | LBP'000        |
| Interest income on a loan granted to the Parent<br>Company (Note 12) | 439,051                    | 774,569        |
| Other charges  | ( 38,569)                  | ( 34,596)      |
|  | <u>400,482</u>             | <u>739,973</u> |

**20. 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 2021 and 2020. Equity comprises capital, share premium, reserves and retained earnings, and is measured at LBP40billion as at December 31, 2021 (2020: LBP31.8billion).

## **21. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT**

### **(a) Fair Values of Financial Assets and Liabilities:**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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 two customers represents 65% of total trade receivables as at December 31, 2021 (one customer represents 46% as at December 31, 2020). The amounts reflected in the statement of financial position are stated at net realizable value, estimated by the Company's management based on prior experience and the current economic environment.

The Company's onshore liquid funds are placed with Lebanese banks and are subject to de-facto capital control imposed by banks. As a result of the current financial and economic crisis in Lebanon, 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. The Company's offshore liquid funds with Lebanese banks are not subject to de-facto capital control.

### **(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 securing foreign currency through exchange dealers at the parallel market rate prevailing at the dates of the transactions.

**(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 LBP120million.

*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 did not enter into any hedging activities.

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. In May 2021, the Central Bank of Lebanon established an exchange platform in which banks are participants, called "Sayrafa". This platform is used to purchase USD for imports and to a limited extent for exchange operations by depositors. Management is taking steps to address currency risk by matching sources and applications of funds, as applicable.