



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

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

BT 33244/DTT

## INDEPENDENT AUDITOR'S REPORT

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

### *Adverse Opinion*

We have audited the separate financial statements of Holcim (Liban) 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 separate 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 the 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. Our opinion in the prior year was also modified in respect of this matter.

Cash and cash equivalents, which are carried in the statement of financial position at LBP67.0billion (2020: LBP66.8billion), includes balances with Lebanese banks of LBP60.5billion (2020: LBP59.4billion). 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.

The Company has not prepared consolidated financial statements, which constitutes a departure from IFRSs. We were unable to determine the amounts that should have been presented had consolidated financial statements been prepared.

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

Beirut, Lebanon  
June 7, 2022

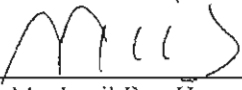


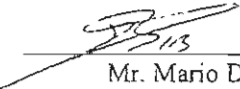
Deloitte & Touche

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

<u>ASSETS</u>	Notes	December 31,	
		2021 LBP'000	2020 LBP'000
<b>Current Assets:</b>			
Cash and cash equivalents	5	66,984,975	66,750,556
Accounts and notes receivable	6	30,234,627	20,551,100
Inventories	7	144,651,340	50,623,946
Dividends receivable	14	42,669,984	33,042,149
Other assets	8	<u>101,655,032</u>	<u>22,814,098</u>
Total current assets		<u>386,195,958</u>	<u>193,781,849</u>
<b>Non-Current Assets:</b>			
Notes receivable	6	5,179,585	6,705,047
Property, plant and equipment	9	152,815,908	145,238,324
Intangible assets	10	16,265,291	17,293,147
Investment properties	11	12,077,167	12,077,167
Investment in subsidiaries and affiliates	12	<u>29,249,163</u>	<u>29,249,163</u>
Total non-current assets		<u>215,587,114</u>	<u>210,562,848</u>
<b>Total Assets</b>		<u><u>601,783,072</u></u>	<u><u>404,344,697</u></u>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
Accounts payable	13	80,557,599	11,547,759
Notes payable	15	450,380	450,380
Accrued expenses and other liabilities	16	48,868,813	22,991,440
Current income tax liability	17	6,614,870	-
Dividends payable	22	1,745,038	1,745,038
Deferred income		<u>653,682</u>	<u>714,983</u>
Total current liabilities		<u>138,890,382</u>	<u>37,449,600</u>
<b>Non-Current Liabilities:</b>			
Loans from related parties	14	198,010,538	136,101,631
Notes payable	15	1,050,884	1,501,264
Deferred tax liability	17	2,679,160	4,798,506
Provision for risk and charges	18	36,350,875	12,429,644
Retirement benefit obligations	19	<u>14,430,661</u>	<u>2,760,644</u>
Total non-current liabilities		<u>252,522,118</u>	<u>157,591,689</u>
<b>Total liabilities</b>		<u>391,412,500</u>	<u>195,041,289</u>
<b><u>EQUITY</u></b>			
Capital	20	97,580,200	97,580,200
Legal reserve	21	32,527,000	32,527,000
Property revaluation reserve	21	50,613,023	50,613,023
Re-measurement of defined benefit obligations	19	( 9,448,613)	2,403,665
Retained earnings		<u>39,098,962</u>	<u>26,179,520</u>
Total equity		<u>210,370,572</u>	<u>209,303,408</u>
<b>Total Liabilities and Equity</b>		<u><u>601,783,072</u></u>	<u><u>404,344,697</u></u>

The accompanying financial statements were approved for issue by the Board of Directors on June 7, 2022 and were signed on the Board's behalf by:

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

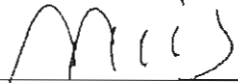
  
\_\_\_\_\_  
Mr. Mario Dib  
Chief Financial Officer

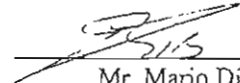
THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

	Notes	Year Ended	
		December 31,	
		2021	2020
		LBP'000	LBP'000
Net sales	23	435,298,142	98,117,689
Cost of sales	24	( 263,680,702)	( 75,901,726)
Gross profit		<u>171,617,440</u>	<u>22,215,963</u>
Distribution expenses	24	( 42,982,433)	( 13,608,982)
General and administrative expenses	24	( 34,893,700)	( 12,344,572)
Allowance for expected credit loss on accounts receivable	6	( 301,500)	( 428,915)
Allowance for expected credit loss on due from related parties	14	( 483,008)	( 323,303)
Provision for obsolete inventory	7	( 322,382)	( 1,088,182)
Provision for risk and charges	18	( 24,724,797)	( 8,286,330)
Finance cost, net	25	( 65,480,229)	( 32,859,743)
Net foreign exchange loss		( 1,487,795)	( 2,950,804)
Dividend income	14	<u>16,432,500</u>	<u>42,101,764</u>
		<u>( 154,243,344)</u>	<u>( 29,789,067)</u>
Profit/(loss) before income tax		17,374,096	( 7,573,104)
Income tax expense	17	( 6,574,000)	-
Deferred tax asset	17	<u>2,119,346</u>	-
Profit/(loss) for the year		<u>12,919,442</u>	<u>( 7,573,104)</u>
Other comprehensive income for the year:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Re-measurement of defined benefit obligations	19	( 11,852,278)	1,797,756
Total other comprehensive income for the year		<u>( 11,852,278)</u>	<u>1,797,756</u>
Total comprehensive profit/(loss) for the year		<u>1,067,164</u>	<u>( 5,775,348)</u>
Profit/(loss) for the year (LBP'000)		12,919,442	( 7,573,104)
Number of ordinary shares in issue		<u>19,516,040</u>	<u>19,516,040</u>
Profit/(loss) per share from loss attributable to the equity holders of the Company during the year (LBP)		<u>662</u>	<u>( 388)</u>

The accompanying financial statements were approved for issue by the Board of Directors on June 7, 2022 and were signed on the Board's behalf by:

  
Mr. Jamil Bou Haroun  
Chief Executive Officer

  
Mr. Mario Dib  
Chief Financial Officer

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

	<u>Capital</u> LBP'000	<u>Legal Reserve</u> LBP'000	<u>Property Revaluation Reserve</u> LBP'000	<u>Re-measurement of defined Benefit Obligations</u> LBP'000	<u>Retained Earnings</u> LBP'000	<u>Total</u> LBP'000
Balance at January 1, 2020	97,580,200	32,527,000	50,613,023	605,909	33,752,624	215,078,756
Total comprehensive loss for the year	-	-	-	1,797,756	( 7,573,104)	( 5,775,348)
Balance at December 31, 2020	97,580,200	32,527,000	50,613,023	2,403,665	26,179,520	209,303,408
Total comprehensive loss for the year	-	-	-	( 11,852,278)	12,919,442	1,067,164
Balance at December 31, 2021	<u>97,580,200</u>	<u>32,527,000</u>	<u>50,613,023</u>	<u>( 9,448,613)</u>	<u>39,098,962</u>	<u>210,370,572</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

	Notes	Year Ended December 31,	
		2021 LBP'000	2020 LBP'000
Cash flows from operating activities:			
Profit/(loss) for the year		12,919,442	( 7,573,104)
Adjustments for:			
Depreciation	9	14,989,220	15,729,971
Amortization	10	1,027,856	1,042,028
Provision for income tax expense	17	6,574,000	-
Dividend income	14	( 16,432,500)	( 42,101,764)
Allowance for credit loss on accounts receivable	6	301,500	428,915
Provision for obsolete inventory	7	322,382	1,088,182
Allowance for credit loss on due from related parties	14	483,008	323,303
Provision for risk and charges, net	18	24,724,797	8,286,330
Provision for retirement benefit obligations	19	207,336	362,373
Operating cash flows before changes in working capital		45,117,041	( 22,413,766)
Decrease in trade and notes receivables		10,331,813	32,931,224
Increase in inventories		( 94,349,776)	( 2,861,408)
Increase in other assets		( 78,840,934)	( 5,466,011)
Net change in related parties balances		4,217,464	( 3,037,996)
Increase/(decrease) in trade payables		45,517,990	( 10,216,852)
Increase in accrued expenses and other liabilities		25,877,373	5,136,821
Decrease in deferred income		( 61,301)	( 1,079,380)
Decrease in notes payable		( 450,380)	( 450,380)
Decrease in deferred tax liabilities		( 2,119,346)	-
Settlements of provision for risks and charges	18	( 762,696)	( 919,380)
Benefit payments related to retirement benefit obligations	19	( 389,597)	( 845,102)
Net cash used in operating activities		( 45,912,349)	( 9,222,230)
Cash flows from investing activities:			
Acquisition of property, plant and equipment	9	( 22,566,804)	( 65,909)
Dividend received from subsidiaries	14	6,804,665	9,235,890
Net cash (used in)/generated from investing activities		( 15,762,139)	9,169,981
Cash flows from financing activities:			
Decrease in bank overdrafts		-	( 6,507,728)
Increase in loans from related parties		61,908,907	44,973,913
Net cash generated from financing activities		61,908,907	38,466,185
Net increase in cash and cash equivalents		234,419	38,413,936
Cash and cash equivalents - Beginning of year		66,750,556	28,336,620
Cash and cash equivalents - End of year	5	66,984,975	66,750,556

ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS



HOLCIM (LIBAN) S.A.L.  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

I. GENERAL INFORMATION

Holcim (Liban) S.A.L. ("the Company") is a joint stock company registered at the Beirut Commercial Court in 1929 under commercial register number 140. The Company's head office is in Dbayeh, Metn and the plant is located on plots that are situated within the municipalities of Chekka, Hery and Kefraya in the North of Lebanon.

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

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

The Company is owned to the extent of 52% by Holcibel S.A., Belgium, the parent Company as at December 31, 2021 and 2020. The ultimate parent company is 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 LBP312billion (LBP14billion in 2020) that resulted in a total amount of USD17.4million (USD1.76million 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	<p>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.</p> <p>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.</p> <ul style="list-style-type: none"><li>- The amendments apply to all entities and are not optional.</li><li>- The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted.</li></ul>
19-Related Rent Concessions beyond June 30, 2021 [IFRS 16]	<p>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.</p> <ul style="list-style-type: none"><li>- The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted.</li></ul>

## 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 <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> The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.
Amendments to IFRS 3 <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. 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 <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 <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> 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	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 8	Definition of accounting estimates 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. Investment Properties:**

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

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

**F. Retirement Benefit Obligations:**

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

The liability 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.



#### **G. Intangible Assets:**

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

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

#### **H. Taxation:**

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

#### **I. Investment in Subsidiaries and Affiliates:**

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

#### **J. Provisions:**

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

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

#### **K. Revenue Recognition:**

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

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

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

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

#### **L. Borrowing Cost:**

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

#### **M. Impairment of Tangible and Intangible Assets:**

At the end of each reporting year, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment provision required, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value the Company adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.
- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

The impairment loss is charged to profit or loss.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss, unless the relevant asset is 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 (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### N. Foreign Currencies:

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the parallel market rates of exchange prevailing at the dates of the transactions in accordance with the Ministry of Finance decision 893/1 issued on December 31, 2020 (refer to note 1). By choosing to abide and apply the MoF decision, the Company was not able to comply with IAS21, which defined 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		
	Parallel	Sayrafa	Official	Parallel	Sayrafa	Official
	Market Rate	Rate	Market Rate	Market Rate	Rate	Rate
	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		
	Parallel	Sayrafa	Official	Parallel	Sayrafa	Official
	Market Rate	Rate	Market Rate	Market Rate	Rate	Rate
	LBP	LBP	LBP	LBP	LBP	LBP
1 USD	16,800	17,395	1,507.5	7,700	N/A	1,507.5

## O. Financial Instruments – Recognition and Measurement:

### Financial assets and Financial Liabilities

#### Recognition and Derecognition

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

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

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

#### Measurement

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

#### Classification of financial assets

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

#### Impairment of financial assets

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

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

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

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

#### Definition of default

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

#### Credit-impaired financial assets

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

#### Measurement and recognition of expected credit losses

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

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

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

#### Offsetting

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

### Fair Value Measurement of Financial Instruments

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

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

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

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

#### **P. Leasing:**

##### *The Company as lessee*

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

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

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

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

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

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

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

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

The Company did not make any such adjustments during the periods presented as the Company's leases fall under the exceptions of IFRS 16.

#### **Q. Cash and Cash Equivalents:**

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

#### **R. Provision for Environmental Restoration:**

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

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

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

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

### **Key sources of estimation uncertainty**

#### Impairment of accounts receivable

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

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

#### Provision for slow-moving inventories

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

#### Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions and on the Company's historical trend. Additional information is disclosed in Note 19.

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is disclosed in Note 19.

#### Environmental restoration

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



### Going concern

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

- producing and securing the needed volumes for the year based on specific kiln production campaigns in alignment with quarry permitting for the year 2022;
- improving margins by addressing prices and cost optimization;
- adopting a cost control strategy limiting unnecessary capital and operating expenditures;
- optimization of liquidity management.

Management have been able to secure needed cash flows and foreign currencies to settle any obligations related to energy and maintenance. Moreover, management is monitoring closely the Central Bank decisions to benefit of potential opportunities to secure hard currencies needed or the business.

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

### 5. CASH AND CASH EQUIVALENTS

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Cash on hand	6,514,793	6,335,627
Banks' current accounts	60,470,182	59,392,968
Cheques under collection	-	1,021,961
	<u>66,984,975</u>	<u>66,750,556</u>

Cash and cash equivalents are segregated as follows by currency:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Lebanese Pounds	30,001,910	60,317,640
Restricted U.S. Dollar (onshore/local)	1,801,163	1,829,270
Unrestricted U.S. Dollar (offshore/fresh)	35,120,523	4,295,348
Restricted Euro (onshore/local)	-	452
Unrestricted Euro (offshore/fresh)	61,379	307,846
	<u>66,984,975</u>	<u>66,750,556</u>

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

In view of the current situation of the country and the banks, management was not able to assess the expected credit losses on bank balances as at December 31, 2021 and 2020.

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

#### 6. ACCOUNTS AND NOTES RECEIVABLE

	December 31,	
	2021	2020
	LBP'000	LBP'000
Trade receivables	27,990,286	33,438,530
Notes receivable	6,621,236	9,149,664
Checks under collection	551,313	2,915,088
Due from related parties (Note 14)	40,085,558	20,811,172
	<u>75,248,393</u>	<u>66,314,454</u>
<u>Less:</u> Non-current portion of notes receivable	( 5,179,585)	( 6,705,047)
	70,068,808	59,609,407
<u>Less:</u> Allowance for expected credit losses - Credit impaired	( 22,782,463)	( 25,247,134)
<u>Less:</u> Allowance for expected credit losses - Not credit impaired	( 4,457,541)	( 1,700,004)
Total allowance for expected credit losses	( 27,240,004)	( 26,947,138)
<u>Less:</u> Allowance for expected credit losses – Related parties (Note 14)	( 12,594,177)	( 12,111,169)
	<u>30,234,627</u>	<u>20,551,100</u>

Trade, notes receivables and checks under collection are denominated in Lebanese Pound.

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

	<u>December 31, 2021</u>		
	<u>Balance</u> LBP'000	<u>Number</u> <u>of clients</u>	<u>Percentage</u> %
Above LBP5billion	14,042,233	2	50
Between LBP1billion and LBP5billion	9,424,899	7	34
Between LBP600million and LBP1billion	1,374,434	2	5
Between LBP300million and LBP600million	1,810,777	6	6
Between LBP200million and LBP300million	487,902	2	2
Between LBP100million and LBP200million	306,943	2	1
Below LBP100million	<u>543,098</u>	<u>53</u>	<u>2</u>
	<u>27,990,286</u>	<u>74</u>	<u>100</u>

	<u>December 31, 2020</u>		
	<u>Balance</u> LBP'000	<u>Number</u> <u>of clients</u>	<u>Percentage</u> %
Above LBP5billion	14,045,031	2	42
Between LBP1billion and LBP5billion	11,014,622	8	33
Between LBP600million and LBP1billion	3,765,498	5	11
Between LBP300million and LBP600million	1,834,501	5	5
Between LBP200million and LBP300million	936,223	4	3
Between LBP100million and LBP200million	510,486	3	2
Below LBP100million	<u>1,332,169</u>	<u>81</u>	<u>4</u>
	<u>33,438,530</u>	<u>108</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> LBP'000	<u>2020</u> LBP'000
Not due	1,111,941	2,412,237
Up to 3 months	274,987	154,395
Over 3 months	<u>26,603,358</u>	<u>30,871,898</u>
	<u>27,990,286</u>	<u>33,438,530</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 Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the "loss rate" approach based on the Company's historical credit loss experience adjusted for current conditions and forecasts for future conditions.

The movement of the allowance for credit loss (non-related customers) is summarized as follows:

	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
Balance at January 1	26,947,138	26,712,520
Allowances	301,500	914,456
Write-backs	-	( 485,541)
Write-offs	( 8,634)	( 194,297)
Balance at December 31	<u>27,240,004</u>	<u>26,947,138</u>

Trade receivables are secured by bank guarantees to the extent of LBP4billion (LBP9.6billion as at December 31, 2020).

The maturity of the notes receivable is as follow:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
Within 1 year	1,441,651	2,444,617
Between 1 year and 5 years	4,902,945	6,047,423
Over 5 years and up to 10 years	276,640	657,624
	<u>6,621,236</u>	<u>9,149,664</u>

The effective interest rates on the notes receivable ranges between 4% and 7.5%. Interest income on notes receivable for the year 2021 amounted to LBP408million (LBP568million for 2020) (Note 25). Notes receivable are recoverable with no history of loss and therefore no impairment was setup against these notes receivable as at December 31, 2021 and 2020. Refer to Note 14 for information on notes receivable from related parties.

## 7. INVENTORIES

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
Raw materials	14,561,910	15,346,629
Combustibles	31,026,941	17,887,572
Spare parts	23,735,452	14,998,886
Finished goods - cement	43,891,296	6,469,730
Work-in-progress	40,052,686	4,215,692
	153,268,285	58,918,509
<u>Less: Provision for obsolete inventory</u>	<u>( 8,616,945)</u>	<u>( 8,294,563)</u>
	<u>144,651,340</u>	<u>50,623,946</u>

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

	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
Balance at January 1	8,294,563	7,206,381
Provision during the year	<u>322,382</u>	<u>1,088,182</u>
Balance as at December 31	<u>8,616,945</u>	<u>8,294,563</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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
Advances to suppliers	13,908,306	7,348,491
Advances to a related party (Note 14)	71,468,835	-
Prepayments	12,252,918	11,018,635
Advances to employees	394,898	866,489
National Social Security Fund receivables	1,881,356	1,801,012
Other receivables	<u>1,748,719</u>	<u>1,779,471</u>
	<u>101,655,032</u>	<u>22,814,098</u>

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

Prepayments includes balances with related parties. Refer to Note 14.

Other assets are segregated into the following currencies:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
Lebanese Pounds	7,762,853	6,896,961
Restricted U.S. Dollar (onshore/local)	11,571,537	11,018,635
Unrestricted U.S. Dollar (offshore/fresh)	73,044,681	2,918,502
Restricted Euro (onshore/local)	211,293	-
Unrestricted Euro (offshore/fresh)	<u>9,064,668</u>	<u>1,980,000</u>
	<u>101,655,032</u>	<u>22,814,098</u>

**9. PROPERTY, PLANT AND EQUIPMENT**

	Land LBP'000	Buildings LBP'000	Industrial Machinery and Equipment LBP'000	Vehicles LBP'000	Furniture, Fixtures and Office Equipment LBP'000	Total LBP'000
<b>Cost:</b>						
Balance as at January 1, 2020	66,873,553	159,892,002	466,235,112	3,922,873	8,167,642	705,091,182
Additions	-	-	43,015	-	22,894	65,909
Balance as at December 31, 2020	66,873,553	159,892,002	466,278,127	3,922,873	8,190,536	705,157,091
Additions	-	-	22,566,804	-	-	22,566,804
Balance as at December 31, 2021	66,873,553	159,892,002	488,844,931	3,922,873	8,190,536	727,723,895
<b>Accumulated Depreciation:</b>						
Balance at January 1, 2020	-	( 154,412,220)	( 377,951,893)	( 3,710,641)	( 8,114,042)	( 544,188,796)
Charge for the year (Note 24)	-	( 664,563)	( 14,933,518)	( 92,073)	( 39,817)	( 15,729,971)
Balance at December 31, 2020	-	( 155,076,783)	( 392,885,411)	( 3,802,714)	( 8,153,859)	( 559,918,767)
Charge for the year (Note 24)	-	( 660,317)	( 14,226,758)	( 68,329)	( 33,816)	( 14,989,220)
Balance at December 31, 2021	-	( 155,737,100)	( 407,112,169)	( 3,871,043)	( 8,187,675)	( 574,907,987)
<b>Net Book Value:</b>						
December 31, 2021	66,873,553	4,154,902	81,732,762	51,830	2,861	152,815,908
December 31, 2020	66,873,553	4,815,219	73,392,716	120,159	36,677	145,238,324

The Company's property, plant and equipment are stated at "deemed cost" which represents the revaluation amount as determined by an independent revaluation carried out in 1997 based on market values at December 31, 1993. The revaluation resulted in an increase in the value of property, plant and equipment of LBP56.24billion over their carrying amount (Note 21).

Additions during the year 2021, mainly represents the cost of elevators, filters and generators

Depreciation expense is included in cost of sales to the extent of LBP13.99billion (2020: LBP14.67billion), distribution expenses to the extent of LBP964million (2020: LBP998million) and general and administrative expenses to the extent of LBP32million (2020: LBP55million).

## 10. INTANGIBLE ASSETS

	<u>Extraction Rights</u> LBP'000	<u>Client List</u> LBP'000	<u>Other</u> LBP'000	<u>Total</u> LBP'000
<b>Cost:</b>				
Balance as at January 1, 2020	33,520,569	58,340,250	867,547	92,728,366
Balance as at December 31, 2020	33,520,569	58,340,250	867,547	92,728,366
Balance as at December 31, 2021	33,520,569	58,340,250	867,547	92,728,366
<b>Accumulated Amortization:</b>				
Balance as at January 1, 2020	( 15,443,704)	( 58,340,250)	( 609,237)	( 74,393,191)
Charge for the year (Note 24)	( 1,027,856)	-	( 14,172)	( 1,042,028)
Balance as at December 31, 2020	( 16,471,560)	( 58,340,250)	( 623,409)	( 75,435,219)
Charge for the year (Note 24)	( 1,027,856)	-	-	( 1,027,856)
Balance as at December 31, 2021	( 17,499,416)	( 58,340,250)	( 623,409)	( 76,463,075)
<b>Net Book Value:</b>				
December 31, 2021	16,021,153	-	244,138	16,265,291
December 31, 2020	17,049,009	-	244,138	17,293,147

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

Refer also to Note 14 regarding extraction rights.

## 11. INVESTMENT PROPERTIES

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

Property Location	<u>December 31,</u>	
	<u>2021</u> LBP'000	<u>2020</u> LBP'000
Hery	9,216,735	9,216,735
Kefraya	1,711,916	1,711,916
Hamat	1,148,516	1,148,516
	<u>12,077,167</u>	<u>12,077,167</u>

Management estimates that the fair value of investment properties exceeds their carrying value at year-end.

## 12. INVESTMENT IN SUBSIDIARIES AND AFFILIATES

	<u>Country of incorporation</u>	<u>Percentage of Legal Ownership</u> %	<u>Cost of Investment</u> LBP'000	<u>Provision for Impairment of Investment</u> LBP'000	<u>Net Investment</u> LBP'000
Bogaz Endüstriyel Madencilik Limited	Turkish republic Limited of North Cyprus	100	19,342,709	-	19,342,709
Société Libanaise des Ciments Blancs S.A.L	Lebanon	65.99	9,867,454	-	9,867,454
Holcim Beton S.A.L. (refer to Note 14)	Lebanon	97.82	5,604,406	( 5,604,406)	-
Energis Liban S.A.L	Lebanon	100	352,441	( 313,441)	39,000
EDP Centre S.A.R.L. (under liquidation)	Lebanon	91.3	151	( 151)	-
Other affiliate (SC1)					
			<u>35,167,161</u>	<u>( 5,917,998)</u>	<u>29,249,163</u>

## 13. ACCOUNTS PAYABLE

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Trade payables	47,795,556	2,277,566
Due to related parties (Note 14)	32,762,043	9,270,193
	<u>80,557,599</u>	<u>11,547,759</u>

Trade payables consist of current trade suppliers' balances, are non-interest bearing and 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	4,620,157	134,205
U.S. Dollar	13,278,261	1,152,845
Sterling Pound	1,316,734	29,054
Euro	28,580,404	961,462
	<u>47,795,556</u>	<u>2,277,566</u>

Trade payables are mainly unrestricted by nature.



#### 14. RELATED PARTY BALANCES AND TRANSACTIONS

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

Current balances with related parties are as follows:

	December 31, 2021		December 31, 2020	
	Due From LBP'000	Due To LBP'000	Due From LBP'000	Due To LBP'000
<i>Ultimate parent company:</i>				
Holcim Ltd	-	16,041,418	-	4,672,860
<i>Subsidiaries and affiliates:</i>				
Société Libanaise des Ciments Blancs S.A.L.	8,664,135	-	-	741,320
Holcim Beton S.A.L.	13,117,849	-	13,117,849	-
Bogaz Endüstri ve Madencilik Limited	8,940,850	-	2,714,794	-
Energis Liban S.A.L.	105,546	-	102,868	-
EDP Centre S.A.R.L. (Under liquidation)	1,600,660	-	1,600,660	-
	<u>32,429,040</u>	<u>-</u>	<u>17,536,171</u>	<u>741,320</u>
<i>Entities associated with the Company:</i>				
Holcim Energy Solutions S.A.S.	-	-	-	901,310
Holcim Middle East & Africa IT Service Center	-	3,522,047	92,682	-
Egypt Sack S.A.E	-	2,822,022	-	842,850
Holcim Haut Rhin	-	3,323,255	-	364,375
Holcim Int. Service Singapore	-	5,597,213	-	455,893
Holcim Group Services Ltd	-	1,456,088	474,094	-
Holcim Trading Ltd	-	-	-	1,026,245
Holcim Technology Ltd	6,181,279	-	1,896,085	-
Carriere Jieh S.A.L.	432,583	-	432,583	-
Other related parties	1,042,656	-	379,557	265,340
	<u>7,656,518</u>	<u>16,720,625</u>	<u>3,275,001</u>	<u>3,856,013</u>
	<u>40,085,558</u>	<u>32,762,043</u>	<u>20,811,172</u>	<u>9,270,193</u>
<i>Less: Allowance for impairment:</i>				
Holcim Beton S.A.L.	( 10,560,934)	-	( 10,077,926)	-
EDP Centre S.A.R.L. (under liquidation)	( 1,600,660)	-	( 1,600,660)	-
Carriere Jieh S.A.L.	( 432,583)	-	( 432,583)	-
	<u>( 12,594,177)</u>	<u>-</u>	<u>( 12,111,169)</u>	<u>-</u>
	<u>27,491,381</u>	<u>32,762,043</u>	<u>8,700,003</u>	<u>9,270,193</u>
	Note 6	Note 13	Note 6	Note 13

Additional impairment for due from related parties amounting to LBP483million (LBP323million in 2020), related to Holcim Beton S.A.L., a subsidiary, was recorded in the statement of profit or loss and other comprehensive income for the year ended December 31, 2021. The General Assembly meeting of this subsidiary dated July 20, 2018 resolved to temporarily discontinue the Company's operations and lease or sell part of its property and equipment.

Above related party balances are current in nature, do not carry any interest and are denominated as follows by currency:

	December 31, 2021		December 31, 2020	
	Due From	Due To	Due From	Due To
	LBP'000	LBP'000	LBP'000	LBP'000
Non-resident entities (Fresh USD)	16,164,785	32,762,043	5,557,212	8,528,873
Resident entities (Lebanese Pound)	11,326,596	-	3,142,791	741,320
	<u>27,491,381</u>	<u>32,762,043</u>	<u>8,700,003</u>	<u>9,270,193</u>

Loans from related parties are as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
<i>Loan from ultimate parent company:</i>		
Holcim Ltd	185,950,538	124,041,631
Accrued interest payable (Note 16)	<u>18,669,189</u>	<u>6,588,929</u>
	<u>204,619,727</u>	<u>130,630,560</u>
<i>Loan from a subsidiary:</i>		
Société Libanaise des Ciments Blancs S.A.L.	12,060,000	12,060,000
Accrued interest payable (Note 16)	<u>3,899,196</u>	<u>3,500,058</u>
	<u>15,959,196</u>	<u>15,560,058</u>
	<u>198,010,538</u>	<u>136,101,631</u>

The loan from the ultimate parent company is detailed as follows:

	USD	LBP'000
Principal as at January 1, 2020	52,449,564	79,067,720
New loan during 2020	7,807,355	11,769,587
Capitalized interest during 2020	<u>4,665,641</u>	<u>33,204,324</u>
Balance as at December 31, 2020	<u>64,922,560</u>	<u>124,041,631</u>
Capitalized interest - January 2021	164,632	2,024,968
Capitalized interest - April 2021	1,788,739	22,001,487
Capitalized interest - July 2021	343,797	5,698,473
Capitalized interest - October 2021	<u>1,945,047</u>	<u>32,183,979</u>
Balance as at December 31, 2021	<u>69,164,774</u>	<u>185,950,538</u>

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

During 2020, an additional loan amounting to LBP15billion (USD10million at official rate) was granted, out of which USD7.8million was used, and subject to interest at the rate of 6-month Libor plus 9% and 1% on the unused limit and matures on January 24, 2024.

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

Interest related to the ultimate parent company loan is capitalized into the principal on each interest payment date based on the ultimate parent company instructions. These interests are converted into Lebanese Pounds (LBP) at the parallel market rate on the transaction date and capitalized into the principal on each interest payment.

The loan from the subsidiary, Société Libanaise des Ciments Blancs S.A.L. is denominated in USD and will be repaid by local transfer and hence converted into Lebanese Pound at official rate and matures on December 31, 2024. The loan was subject to an average interest rate of 2.5% during the year 2021 (5% in 2020).

Total interest expense on above loans for the year 2021 amounted to LBP64.8billion (USD5.4million at parallel market rate) (LBP32.8billion (USD5.8million at parallel market rate) during 2020) and was recorded under "Finance cost, net" in the statement of profit or loss and other comprehensive income (Note 25). Accrued interest payable as at December 31, 2021 amounted to LBP22.6billion (USD3.9million at parallel market rate) (2020: LBP10.1billion (USD3.3million at parallel market rate)) and was recorded under "Accrued expenses and other liabilities" in the statement of financial position (Note 16).

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

	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
<b>Transactions with ultimate parent company, subsidiaries and affiliates:</b>		
Sales of goods	7,055,858	3,160,949
Income from services	2,786,488	759,498
Interest expense on loans (Note 25)	64,842,327	32,780,027
Service fees	1,873,626	493,446
Recharged costs to subsidiaries	5,454,835	566,622
Interest income on notes receivable	311,502	366,038
Rent expense	285,483	423,462
<b>Transactions with entities associated with the Company:</b>		
Purchase of goods	124,383,346	13,221,677
Service fees, franchise and administrative support (Note 24)	876,903	2,776,776
Income from services	2,102,062	665,523

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

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

	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
<b>Key management remuneration:</b>		
Key management personnel	<u>2,288,814</u>	<u>1,674,715</u>
<b>Dividend income from subsidiaries</b>		
Boğaz Endüstri ve Madencilik Limited	<u>16,432,500</u>	<u>42,101,764</u>

During 2021, the Company recorded dividend income from subsidiaries in the amount of LBP16.4billion (USD939thousands at parallel market rate) (2020: LBP42.1billion (USD5.7million at parallel market rate) in the statement of profit or loss and other comprehensive income. Dividends collected during 2021 amounted to LBP24.15billion (USD2.17million at the parallel market rate) (2020: LBP8.6billion (USD1.45million at parallel market rate)). An amount of LBP42.7billion (USD1.6million at parallel market rate) was outstanding as dividends receivable as at December 31, 2021 (2020: LBP33billion (USD3.9million at parallel market rate)).

Notes receivable as at December 31, 2021 (Note 6) include an aggregate amount of LBP5.1billion (LBP6.2billion as at December 31, 2020) from an affiliate, split between LBP1.2billion as current and LBP3.9billion as non-current (LBP1.1billion and LBP5.1billion respectively as at December 31, 2020). Related interest income on these notes receivable amounted to LBP312million during 2021 (LBP366million during 2020) included under interest income on notes receivables (Note 25).

Extraction rights under intangible assets in the net carrying value of LBP16billion as at December 31, 2021 (LBP17billion as at December 31, 2020) were acquired from an affiliate and paid for in advance and are being amortized over the life of the lease agreements (Refer to Note 10).

Advances to an affiliate in the amount of LBP11.6billion as at December 31, 2021 (LBP10.4billion as at December 31, 2020) represent prepaid rent for land and premises recorded as prepayments under "Other assets" in the statement of financial position (Note 8).

Advances to a related party in the amount of LBP71.5billion as at December 31, 2021 represent advance payments for the purchase of combustibles paid to Holcim Trading Ltd and recorded under "Other assets" in the statement of financial position (Note 8).

## 15. NOTES PAYABLE

During 2015, the Company reached an agreement with the National Social Security Fund ("NSSF") to schedule the settlement of a long outstanding disputed assessment of LBP4.74billion (Note 26). An amount of LBP237million was paid upfront while the remaining balance of LBP4.5billion is payable over 120 monthly instalments. The last instalment payment is due on April 25, 2025. The effective interest rate on these notes payable is 5%.

These notes payable are denominated in Lebanese Pounds and their maturity is as follows at year-end:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Within 1 year	450,380	450,380
Between 1 year and 5 years	1,050,884	1,501,264
	<u>1,501,264</u>	<u>1,951,644</u>

#### 16. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Accrued rebates	95,869	2,883,013
Accrued expenses	9,563,979	2,037,264
Accrued interest payable (Note 14)	22,568,385	10,088,987
Advances from customers	1,489,111	708,990
Value added tax payable	13,725,822	5,510,506
Tax on salaries payable	522,163	395,500
Other liabilities	<u>903,485</u>	<u>1,367,180</u>
	<u>48,868,813</u>	<u>22,991,440</u>

Accrued expenses and other liabilities are denominated in Lebanese Pound except of accrued interest payable as disclosed under note 14.

Other liabilities include mainly tax on production and extraction and contributions payable to the National Social Security Fund and are recorded under cost of sales and general and administrative expenses respectively, in the statement of profit or loss and other comprehensive income.

The Company's records are still subject to examination by the National Social Security Fund for the years 2016 to 2021. The result of this examination cannot be determined at the present.

## 17. INCOME TAX EXPENSE

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

	<u>2021</u> <u>LBP'000</u>	<u>2020</u> <u>LBP'000</u>
Profit/(loss) before tax	17,374,096	( 7,573,104)
Income tax expenses at statutory rate of 17%	2,953,596	( 1,287,428)
Tax effect of expenses not deductible for tax purposes:		
Provision for obsolete inventory	54,805	195,951
Provision for risk and charges	4,203,215	600,204
Non-resident tax	187,000	-
Allowance for credit loss on accounts receivable	51,255	153,765
Allowance for credit loss on due from related parties	82,111	54,961
Other non-deductible expenses	2,383,997	6,646,047
Tax effect of revenues not taxable for tax purposes:		
Dividend income	( 2,793,525)	( 7,157,300)
Reversal of sales discounts	-	( 243,208)
Other income	( 320,584)	( 348,975)
Total current tax	6,614,870	-
Change in deferred tax liability	-	-
Income tax liability	<u>6,614,870</u>	<u>-</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>LBP'000</u>	<u>2020</u> <u>LBP'000</u>
Balance at January 1,	-	-
Transfer from provision for risk and charges	40,870	-
Provision for income tax	6,574,000	-
Balance at December 31,	<u>6,614,870</u>	<u>-</u>

Net deferred tax liability comprises the following:

	<u>2021</u> <u>LBP'000</u>	<u>2020</u> <u>LBP'000</u>
<b>Deferred tax liability:</b>		
Tax on land revaluation surplus (Note 21)	5,623,674	5,623,674
<b>Deferred tax asset:</b>		
Tax on environmental restoration provision	( 2,944,514)	( 825,168)
Net deferred tax liability	<u>2,679,160</u>	<u>4,798,506</u>

## 18. PROVISION FOR RISK AND CHARGES

Provision for risk and charges represents the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>LBP'000</u>	<u>LBP'000</u>
<b><u>Non-current:</u></b>		
Environmental restoration (a)	17,279,222	5,575,175
Others (b)	<u>19,071,653</u>	<u>6,854,469</u>
	<u>36,350,875</u>	<u>12,429,644</u>

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

	<u>2021</u>		
	<u>Environmental restoration</u>	<u>Others</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Balance at January 1	5,575,175	6,854,469	12,429,644
Additions	12,466,743	12,258,054	24,724,797
Transfer to provision for income tax	-	( 40,870)	( 40,870)
Settlements	( 762,696)	-	( 762,696)
Balance at December 31	<u>17,279,222</u>	<u>19,071,653</u>	<u>36,350,875</u>

	<u>2020</u>		
	<u>Environmental restoration</u>	<u>Others</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Balance at January 1	5,062,694	-	5,062,694
Additions	1,431,861	6,854,469	8,286,330
Settlements	( 919,380)	-	( 919,380)
Balance at December 31	<u>5,575,175</u>	<u>6,854,469</u>	<u>12,429,644</u>

### **(a) Environmental restoration**

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

### **(b) Other provisions**

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

## 19. RETIREMENT BENEFIT OBLIGATIONS

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

	<u>2021</u>	<u>2020</u>
	LBP'000	LBP'000
Balance at January 1	<u>2,760,644</u>	<u>5,041,129</u>
Current service cost	69,775	120,486
Interest expense	<u>137,561</u>	<u>241,887</u>
Total amount recognized in profit or loss	<u>207,336</u>	<u>362,373</u>
Re-measurements:		
Actuarial changes arising from changes in assumptions	75,231	-
Experience loss/(gains)	<u>11,777,047</u>	<u>( 1,797,756)</u>
Total amount recognized in other comprehensive income	<u>11,852,278</u>	<u>( 1,797,756)</u>
Benefit payments during the year	<u>( 389,597)</u>	<u>( 845,102)</u>
Balance at December 31	<u><u>14,430,661</u></u>	<u><u>2,760,644</u></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 rates have been calculated based on the following actuarial assumptions:

	<u>2021</u>	<u>2020</u>
Discount rate	5.60%	5.60%
Expected rate of return on contributions	5.00%	5.00%
Salary growth rate	4.00%	4.00%
Mortality rate	None	None
Turnover rate	1%	None
Retirement age	Earliest of 64 or completion of 35 years of contribution	Earliest of 64 or completion of 35 years of contribution



## 20. CAPITAL

At December 31, 2021 and 2020, the Company's capital amounting to LBP97.58billion consists of 19,516,040 shares with a nominal value of LBP5,000 each, fully paid.

## 21. RESERVES

### Legal reserve

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

### Property Revaluation Reserve

Property revaluation reserve of LBP50.61 billion represents the amount of the revaluation surplus net of tax of LBP5.62billion that arose on revaluation of property, plant and equipment in 1997. The revaluation surplus is subject to capital gains tax. Accordingly, a deferred tax liability of LBP5.62billion is carried in respect of this temporary difference (Note 17).

## 22. DIVIDENDS DISTRIBUTION

On June 19, 2019, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP7.6billion (390 per share).

An amount of LBP1.75billion is outstanding as dividends payable as at December 31, 2021 (LBP1.75billion as at December 31, 2020).

## 23. NET SALES

	Year Ended December 31,	
	2021	2020
	LBP'000	LBP'000
Cement	435,456,494	96,168,724
Clinker (Note 14)	-	2,509,965
Discounts	( 158,352)	( 561,000)
	<u>435,298,142</u>	<u>98,117,689</u>

**24. EXPENSES BY NATURE**

	2021			
	Cost of	Distribution	General and	Total
	Sales	Expenses	Administrative	Expenses
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Combustibles	194,399,309	-	-	194,399,309
Raw materials	62,815,951	178,590	-	62,994,541
Salaries and related charges	25,829,831	3,677,274	25,417,448	54,924,553
Spare parts, consumables and maintenance expense	27,872,993	1,112,847	333,584	29,319,424
Depreciation charge (Note 9)	13,993,930	963,587	31,703	14,989,220
Franchise and administrative support expenses (Note 14)	-	-	876,903	876,903
Transportation	-	13,246,891	-	13,246,891
Packing materials	-	22,700,069	-	22,700,069
Other taxes (Note 16)	7,772,762	31,917	207,265	8,011,944
Contractual employees	1,281,873	512,579	106,785	1,901,237
Rent charges	858,716	-	567,349	1,426,065
Other third party services	1,083,821	588,209	9,802	1,681,832
Amortization charge (Note 10)	1,027,856	-	-	1,027,856
Professional fees	2,220	-	2,649,278	2,651,498
Changes in inventories of finished goods and work-in-progress	( 73,258,560)	-	-	( 73,258,560)
Other (income)/expenses	-	( 29,530)	4,693,583	4,664,053
	<u>263,680,702</u>	<u>42,982,433</u>	<u>34,893,700</u>	<u>341,556,835</u>
	2020			
	Cost of	Distribution	General and	Total
	Sales	Expenses	Administrative	Expenses
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Combustibles	18,809,216	-	-	18,809,216
Raw materials	11,855,843	33,686	-	11,889,529
Salaries and related charges	12,716,062	1,830,420	6,143,518	20,690,000
Spare parts, consumables and maintenance expense	6,773,386	267,589	56,148	7,097,123
Depreciation charge (Note 9)	14,676,221	998,303	55,447	15,729,971
Franchise and administrative support expenses (Note 14)	-	-	2,776,776	2,776,776
Transportation	-	3,121,705	-	3,121,705
Packing materials	-	6,683,299	-	6,683,299
Other taxes (Note 16)	5,273,700	1,408	951,467	6,226,575
Contractual employees	578,650	288,728	34,606	901,984
Rent charges	542,543	-	278,093	820,636
Other third party services	506,089	350,751	5,891	862,731
Amortization charge (Note 10)	1,027,856	-	14,172	1,042,028
Professional fees	660	-	405,111	405,771
Changes in inventories of finished goods and work-in-progress	3,140,223	-	-	3,140,223
Other expenses	1,277	33,093	1,623,343	1,657,713
	<u>75,901,726</u>	<u>13,608,982</u>	<u>12,344,572</u>	<u>101,855,280</u>

Salaries and related charges consist of the following:

	Year Ended December 31,	
	2021	2020
	<u>LBP'000</u>	<u>LBP'000</u>
Salaries	36,551,204	12,912,877
Costs recharged from a related party	8,779,490	1,359,836
Transportation	617,527	328,703
National Social Security contributions	2,181,619	1,783,106
Other benefits	6,794,713	4,305,478
	<u>54,924,553</u>	<u>20,690,000</u>

**25. FINANCE COSTS - NET**

	Year Ended December 31,	
	2021	2020
	<u>LBP'000</u>	<u>LBP'000</u>
<b><u>Finance costs:</u></b>		
Interest expense on loans granted from related parties (Note 14)	64,842,327	32,780,027
Bank overdrafts	-	352,928
Other charges	1,062,511	587,149
	<u>65,904,838</u>	<u>33,720,104</u>
<b><u>Finance income:</u></b>		
Interest income on bank accounts	16,980	291,926
Interest income on notes receivable (Note 6)	407,629	568,435
	<u>424,609</u>	<u>860,361</u>
Finance cost - net	<u>65,480,229</u>	<u>32,859,743</u>

**26. COMMITMENTS AND CONTINGENCIES**

The Company had the following commitments and contingent liabilities as at December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
	<u>LBP'000</u>	<u>LBP'000</u>
Bank guarantees	5,316,542	5,316,542

### Legal claims

The Company's accounting records were examined by the National Social Security Fund ("NSSF") for the period from January 1, 1982 to September 30, 2007. The review resulted in an assessment and in additional subscriptions due of LBP5.3billion which are covered by bank guarantees. An objection was submitted in respect of the assessment which was rejected by the Labour Council of Beirut. The Company has since filed an appeal.

During 2015, the Company availed itself of the opportunity

- (i) to settle the amount due by instalments (Note 15).
- (ii) to benefit from an exemption from delay penalties whilst maintaining its appeal against the assessment.

The exemption from delay penalties is not considered final until the entire social security debt is settled.

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

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

### 27. STATEMENT OF CASH FLOWS

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

	At January 1, 2021 <u>LBP'000</u>	Financing Cash Inflows/ (Outflows) <u>LBP'000</u>	Interest And Re- Measurement <u>LBP'000</u>	At December 31, 2021 <u>LBP'000</u>
Loans from related parties	136,101,631	-	61,908,907	198,010,538
	<u>136,101,631</u>	<u>-</u>	<u>61,908,907</u>	<u>198,010,538</u>

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

## 28. 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, reserves and retained earnings, and is measured at LBP208billion as at December 31, 2021 (2020: LBP209billion).

## 29. 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, except for investment properties as mentioned in Note 11.

### **(b) Credit Risk:**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets which potentially subject the Company to credit risk consist mainly of cash at banks, trade receivable and balances due from related parties. As shown in Note 6, concentration of credit risk in trade receivables exists whereby 11 customers represent 89% of total trade receivables as at December 31, 2021 (33 customers represent 86% 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.

The table below summarizes the maturities of the Company's financial assets and liabilities at December 31, 2021 and 2020, based on contractual payment dates and current market interest rates.

	December 31, 2021			
	Less than 1 Year LBP'000	1 to 5 Years LBP'000	More than 5 Years LBP'000	Total LBP'000
<b>Financial Assets</b>				
Cash and cash equivalents	66,984,975	-	-	66,984,975
Accounts and notes receivable	30,234,627	4,902,945	276,640	35,414,212
Dividends receivable	42,669,984	-	-	42,669,984
Other assets	73,612,452	1,881,356	-	75,493,808
	<u>213,502,038</u>	<u>6,784,301</u>	<u>276,640</u>	<u>220,562,979</u>
<b>Financial Liabilities</b>				
Accounts payable	80,557,599	-	-	80,557,599
Notes payable	450,380	1,050,884	-	1,501,264
Dividends payable	1,745,038	-	-	1,745,038
Loans from related parties	185,950,538	12,060,000	-	198,010,538
Accrued expenses and other liabilities	37,719,855	-	-	37,719,855
	<u>306,423,409</u>	<u>13,110,884</u>	<u>-</u>	<u>319,534,293</u>
<b>December 31, 2020</b>				
	Less than 1 Year LBP'000	1 to 5 Years LBP'000	More than 5 Years LBP'000	Total LBP'000
<b>Financial Assets</b>				
Cash and cash equivalents	66,750,556	-	-	66,750,556
Accounts and notes receivable	20,551,100	6,047,423	657,624	27,256,147
Dividends receivable	33,042,149	-	-	33,042,149
Other assets	2,645,960	1,801,012	-	4,446,972
	<u>122,989,765</u>	<u>7,848,435</u>	<u>657,624</u>	<u>131,495,824</u>
<b>Financial Liabilities</b>				
Accounts payable	11,547,759	-	-	11,547,759
Notes payable	450,380	1,501,264	-	1,951,644
Dividends payable	1,745,038	-	-	1,745,038
Loans from related parties	124,041,631	12,060,000	-	136,101,631
Accrued expenses and other liabilities	17,362,173	-	-	17,362,173
	<u>155,146,981</u>	<u>13,561,264</u>	<u>-</u>	<u>168,708,245</u>

**(d) Market Risk:**

*Interest Rate Risk:*

The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest earning assets and interest-bearing liabilities and related interest amounts. The Company's interest-bearing assets are notes receivable which are subject to fixed interest rates. The Company's loans from related parties are subject to variable interest rates whereas notes payable are subject to fixed interest rates.

*Currency Risk:*

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