

THE LEBANESE COMPANY FOR THE
DEVELOPMENT AND RECONSTRUCTION
OF BEIRUT CENTRAL DISTRICT S.A.L.

SEPARATE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2021

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AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
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YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.

Adverse Opinion

We have audited the accompanying separate financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (the "Company"), which comprise the separate statement of financial position as at December 31, 2021 and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of 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

- (a) As disclosed in Note 3 to the separate financial statements, the Company's functional currency is the Lebanese Pound which is the currency of a hyperinflationary economy and management did not apply the requirements of IAS 29 'Financial Reporting in Hyperinflationary Economies' in the preparation of the Company's separate financial statements in functional currency for the year ended December 31, 2021 before translating them to the presentation currency. Had the Company applied the requirements of IAS 29, many elements and disclosures in the accompanying separate financial statements, including the comparative financial information for the year ended December 31, 2020, would have been materially different. The effects on the separate financial statements arising from this departure have not been determined. Our opinion on the prior year financial statements was also modified in respect of this matter.

- (b) As disclosed in Note 1 to the separate financial statements, the Company translated its assets and liabilities, denominated in foreign currencies, as at December 31, 2021 and all transactions in foreign currencies that occurred during the year then ended, using the official published exchange rates. In addition, the Company's separate financial statements are translated from the functional currency to the presentation currency at the same official published exchange rates. However, during the year, other exchange rates were introduced through legal exchange mechanisms, and several exchange rates became available, depending on the source and nature of the operation or balance. As stated in IAS 21 "The Effects of Changes in Foreign Exchange Rates", when several exchange rates are available, the rate to be used is that 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. Due to the uncertainties disclosed in Notes 1 and 4 to the separate financial statements, management did not use the rate at which the future cash flows would have been expected to be settled. Had the Company used the rate at which the future cash flows would have been expected to be settled, many accounts and disclosures in the separate financial statements would have been materially different. The effects on the separate financial statements from the departure of IAS 21 and the uncertainties relating to the appropriate exchange rates have not been determined.

Basis for Adverse Opinion (continued)

- (c) Loss on exchange is reported in the separate statement of profit or loss and other comprehensive income at US\$23 million (2020: US\$22 million) from the sourcing of offshore liquidity against US\$66 million (2020: US\$59 million). We were unable to obtain sufficient appropriate audit evidence about the amount of loss on exchange because we could not inspect documentation relating to the loss on exchange. Consequently, we were unable to determine whether any adjustments to this amount were necessary. Our opinion on the prior year financial statements was also modified in respect of this matter.
- (d) Cash and bank balances, which are carried in the separate statement of financial position at US\$87 million (2020: US\$111 million), include balances deposited with banks in Lebanon which are carried at US\$43 million (2020: US\$95 million) and are stated net of allowance for expected credit losses of US\$9 million (2020: US\$13 million). We were unable to obtain sufficient appropriate audit evidence about the carrying amount of balances deposited with banks in Lebanon because we could not determine if the assumptions and estimates used by management to determine the allowance for expected credit losses were adequate given the high degree of uncertainty surrounding the Lebanese banking industry and Lebanese economy as a whole as described in Note 1 of the separate financial statements. Consequently, we were unable to determine whether any adjustments to this amount were necessary. Our opinion on the prior year financial statements was also modified in respect of this matter.
- (e) Investments in associates and joint ventures carried in the separate statement of financial position include, an investment in Beirut Waterfront Development S.A.L ("BWD"), a joint venture accounted for at cost, and a loan to the latter with a net carrying amount of US\$22 million as at December 31, 2021 (December 31, 2020: the same). We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in BWD as at December 31, 2021 as we were unable to access the financial information of BWD. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Separate 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 separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the separate financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 ISA 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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.

Auditor's Responsibilities for the Audit of the Separate Financial Statements (continued)

- 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 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.

Beirut, Lebanon
August 17, 2022


Deloitte & Touche


Ernst & Young

**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND
RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
SEPARATE STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>	Notes	December 31,	
		2021	2020
		US\$	US\$
Cash and bank balances	5	86,752,644	111,448,104
Accounts and notes receivable, net	6	12,692,689	54,543,047
Investment in asset-backed securities	7	-	8,439,009
Prepayments and other debit balances	8	15,781,464	42,465,896
Inventory of land and projects in progress	9	853,174,590	887,106,447
Investment properties, net	10	609,591,676	561,938,048
Investment in joint ventures, subsidiaries and associates	11	235,250,104	235,159,104
Property and equipment, net	12	42,963,406	42,386,289
Total Assets		1,856,206,573	1,943,485,944
<u>LIABILITIES</u>			
Accounts payable and other liabilities	14	86,411,792	94,417,177
Dividends payable	15	57,749,890	57,993,358
Deferred revenues and other credit balances	16	72,456,271	85,712,478
Total liabilities		216,617,953	238,123,013
<u>EQUITY</u>			
Issued capital at par value US\$10 per share:	18		
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		<u>1,650,000,000</u>	<u>1,650,000,000</u>
Legal reserve	19	169,554,373	169,554,373
Accumulated losses		(105,937,797)	(84,401,654)
Less: Treasury shares	18	(74,027,956)	(29,789,788)
Total equity		1,639,588,620	1,705,362,931
Total Liabilities and Equity		1,856,206,573	1,943,485,944

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART
OF THESE SEPARATE FINANCIAL STATEMENTS

**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND
RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year Ended December 31,	
		2021	2020
		US\$	US\$
Revenues from land sales		85,209,200	381,947,100
Revenues from rented properties		21,276,443	22,810,858
Revenues from rendered services	20	4,349,327	4,413,606
Total revenues		<u>110,834,970</u>	<u>409,171,564</u>
Cost of land sales	9	(41,247,703)	(214,422,610)
Depreciation of and charges on rented properties	21	(38,136,527)	(28,412,859)
Cost of rendered services	22	(4,425,112)	(4,453,328)
Loss on cancellation of previously recognized sales, net		-	(24,302,353)
Total cost of revenues		<u>(83,809,342)</u>	<u>(271,591,150)</u>
Gain on sale and disposal of investment properties, net	10	441,764	4,694,767
Net revenues from operations		<u>27,467,392</u>	<u>142,275,181</u>
General and administrative expenses	23	(32,391,976)	(26,946,442)
Selling expenses		(963,139)	(4,342,118)
Depreciation of property and equipment	12	(2,289,545)	(2,654,208)
Provision for impairment, net	24	(282,050)	(28,945,506)
Loss on rescheduled receivables		(119,898)	(167,760)
Write-off of receivables	6(c)	(1,670,054)	(2,186,841)
Write-off of payables	14	3,241,785	-
Provision for contingencies	9(b),14(e)	-	(37,913,299)
Other expense		(581,279)	(2,120,312)
Other income	25	10,852,296	68,608
Discount from early settlement of bank loans	17	-	8,782,041
Interest income	26	903,293	406,376
Interest expense	27	(814,671)	(3,478,014)
Dividend income	30	80,528	2,623,200
Loss on exchange, net	1	(23,141,325)	(22,044,839)
(Loss)/profit before tax		<u>(19,708,643)</u>	<u>23,356,067</u>
Income tax expense	14(e)	(1,827,500)	(2,633,042)
(Loss)/profit for the year		<u>(21,536,143)</u>	<u>20,723,025</u>
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		<u>(21,536,143)</u>	<u>20,723,025</u>
Basic and diluted (loss)/earnings per share	29	<u>(0.134)</u>	<u>0.127</u>

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART
OF THESE SEPARATE FINANCIAL STATEMENTS

**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND
RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
SEPARATE STATEMENT OF CHANGES IN EQUITY**

	<u>Share Capital</u>	<u>Legal Reserve</u>	<u>Accumulated Losses</u>	<u>Treasury Shares</u>	<u>Total</u>
	US\$	US\$	US\$	US\$	US\$
Balance at January 1, 2020	1,650,000,000	169,554,373	(105,124,679)	(15,000)	1,714,414,694
Total comprehensive income for the year 2020	-	-	20,723,025	-	20,723,025
Treasury shares purchase (Note 18)	-	-	-	(29,774,788)	(29,774,788)
Balance at December 31, 2020	1,650,000,000	169,554,373	(84,401,654)	(29,789,788)	1,705,362,931
Total comprehensive loss for the year 2021	-	-	(21,536,143)	-	(21,536,143)
Treasury shares purchase (Note 18)	-	-	-	(44,238,168)	(44,238,168)
Balance at December 31, 2021	<u>1,650,000,000</u>	<u>169,554,373</u>	<u>(105,937,797)</u>	<u>(74,027,956)</u>	<u>1,639,588,620</u>

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART OF THESE SEPARATE FINANCIAL STATEMENTS

**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND
RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
SEPARATE STATEMENT OF CASH FLOWS**

	Notes	Year Ended December 31,	
		2021 US\$	2020 US\$
Cash flows from operating activities			
(Loss)/ profit for the year before income tax		(19,708,643)	23,356,067
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	28(a)	16,437,325	16,232,705
Gain on sale and disposal of investment properties, net	10	(441,764)	(4,694,767)
Gain on sale of property and equipment	12	(63,689)	(22,134)
Provision for contingencies	9(b), 14(a)	-	37,913,299
Provision for end-of-service indemnity and other charges, net	14(d)	101,241	1,135,433
Provision for impairment	24	282,050	28,945,506
Write-off of real estate development projects cost	9(b)	-	33,080,640
Loss on cancelation of previously recognized sales, net		-	24,302,353
Loss on rescheduled receivables		119,898	167,760
Write-off of receivables	6(c)	1,670,054	2,186,841
Write-off of payables		(3,241,785)	-
Discount from early settlement of bank loans	17	-	(8,782,041)
Dividend income	30	(80,528)	-
Interest income	26	(903,293)	(406,376)
Interest expense	28(b)	814,671	3,681,535
<i>Changes in working capital:</i>			
Prepayments and other debit balances	28(e)	(2,847,825)	(26,118,617)
Accounts and notes receivable	28(e)	34,272,950	2,890,750
Inventory of land and projects in progress		33,931,857	182,231,090
Accounts payable and other liabilities	28(e)	(6,002,220)	(10,204,719)
Deferred revenues and other credit balances		(13,256,207)	41,148,486
Cash generated from operations		41,084,092	347,043,811
Settlements of end-of-service indemnity and other charges	14(d)	(173,271)	(222,828)
Settlements from provision for contingencies	14(a)	-	(735,000)
Taxes paid	8(a), 14(a,e)	(99,793)	(23,338,119)
Net cash provided by operating activities		40,811,028	322,747,864
Cash flows from investing activities:			
Acquisition of property and equipment	12	(2,866,662)	(377,562)
Acquisition of investment properties	10, 28(e)	(34,965,244)	(10,459,762)
Proceeds from disposal investment properties	10	2,855,600	18,916,096
Proceeds from sale of property and equipment	12	63,689	22,134
Investments in joint ventures, subsidiaries and associates		9,000	4,435,310
Investment in asset-backed securities	28(e)	10,575,521	(145,288)
Interest received		903,293	406,376
Net cash (used in)/provided by investing activities		(23,424,803)	12,797,304
Cash flows from financing activities:			
Term bank loans	28(d)	-	(146,699,257)
Dividends paid		(243,468)	(1,021,605)
Interest paid		(1,388,561)	(4,289,887)
Short term bank facilities		-	(30,000,000)
Treasury shares purchase		(44,238,168)	(29,774,788)
Net cash used in financing activities		(45,870,197)	(211,785,537)
Net change in cash and cash equivalents		(28,483,972)	123,759,631
Cash and cash equivalents - Beginning of the year	28(c)	124,043,811	284,180
Cash and cash equivalents - End of the year	28(c)	95,559,839	124,043,811

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART
OF THESE SEPARATE FINANCIAL STATEMENTS

**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND
RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.**
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

1. FORMATION AND OBJECTIVE OF THE COMPANY

The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (SOLIDERE) (the "Company") was established as a Lebanese joint stock company on May 5, 1994 based on Law No. 117/91 and was registered on May 10, 1994 under Commercial Registration No. 67000. The articles of incorporation of the Company were approved by Decree No. 2537 dated July 22, 1992.

The objective of the Company is to acquire real estate properties, to finance and ensure the execution of all infrastructure works in the Beirut Central District (BCD) area, to prepare and reconstruct the BCD area, to reconstruct or restore the existing buildings, to erect buildings and sell, lease or exploit such buildings and lots and to develop the landfill on the seaside.

The duration of the Company is 35 years from the date of establishment May 5, 1994.

An extraordinary general assembly dated November 13, 2006 resolved to amend the objective of the Company to include providing services and consultancy in real estate development for projects outside the BCD area and all over the world.

During 2007, the Company granted Solidere International PLC (an associate) the right to use the "Solidere" brand in the execution of real estate projects outside the Beirut Central District area of Lebanon.

The Company's shares are listed on the Beirut stock exchange.

The Macro Economic Environment

The Company's operations are mostly in Lebanon that has been witnessing, since October 17, 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis and as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on March 7, 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on March 9, 2020, which was followed by another announcement on March 23, 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt, and unemployment and poverty are rising fast and have reached unprecedented levels.

The difficulty in accessing foreign currencies lead to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of 1,507.5 US\$/LBP. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of the Lebanese citizens, driving a currency crisis, high inflation and rise in the consumer price index.

During 2020 in an attempt to control the high rise in prices and to compensate for the loss in the purchasing power of the Lebanese people, the Central Bank of Lebanon, through several circulars, introduced several measures mainly aiming at subsidizing the import of specific goods. However, despite these efforts, inflation increased at an accelerating pace, eroding the real value of the local currency and “local” foreign currency bank accounts, and tossing Lebanon in hyperinflation and major economic collapse. During 2021, most subsidies introduced by the Central Bank of Lebanon were lifted.

As a result of the unofficial capital controls, the multitude of exchange rates, the hyperinflation, and the potential repercussions of government reform measures on (i) the banks operating in Lebanon, and (ii) the Lebanese people’s net worth, their local businesses and their local bank accounts, the Lebanese market saw the need to differentiate between onshore assets and offshore assets, foreign currency bank accounts that are subject to unofficial capital controls and those that are not subject to capital controls, onshore liabilities and offshore liabilities. The need to differentiate is mostly due to the difference in the perceived real economic value. Hence the new terms in the Lebanese market, such as “local Dollars” to designate local US Dollars bank accounts that are subject to unofficial capital controls, and “fresh funds” to designate foreign currency cash and foreign currency bank accounts which are free from capital controls (as they are sourced from foreign currency cash and/or from incoming transfers from abroad).

Lebanese Government’s Financial Recovery Plan

A financial recovery plan was ratified by the Cabinet on May 20, 2022. The document was passed by the Cabinet in its final session hours before losing decision-making powers, following the election of a new parliament on May 15. Lebanon's government foresees cancelling "a large part" of the central bank's foreign currency obligations to commercial banks and dissolving non-viable banks by November, according to the Plan. It includes several measures that are prerequisites to unlock funds from a preliminary deal with the International Monetary Fund agreed in April that could help pull the country out of a three-year financial meltdown.

The plan endorsed foresees a full audit of the Central Bank's forex financial standing by July. Then, the government "will cancel, at the outset, a large part of the Central Bank's foreign currency obligations to banks in order to reduce the deficit in BDL's capital," the document said. The largest 14 commercial banks, representing 83% of total assets, would also be audited. Viable banks would be recapitalized with "significant contributions" from bank shareholders and large depositors.

The plan makes no mention of a sovereign fund to manage state-owned assets but pledges to limit recourse to public assets, which had been a demand of Lebanon's commercial banks. The plan said it would protect small depositors "to the maximum extent possible" in each viable bank but did not lay out a minimum amount to be protected - unlike draft plans. Non-viable banks, however, would be dissolved by the end of November, it added.

It also said the government would unify the official exchange rate, ending a system in which the government offered various exchange rates for different operations.

International Monetary Fund (IMF)

On April 7, 2022, the IMF concluded a two-week mission to Beirut with an announcement of a staff level agreement for a US\$ 3 billion, 46-month Extended Fund Facility (EFF). This agreement is subject to approval by IMF management and the Executive Board. Timely implementation of all prior actions and confirmation of international partners' financial support is required before formal approval by the Executive Board. Prior actions include: (i) cabinet/parliamentary approval of a bank restructuring strategy and enabling legislation, in conjunction with an audit of the 14 largest banks; (ii) parliamentary approval of a reformed bank secrecy law; (iii) completion of the Central Bank of Lebanon's audit; (iv) a restructuring of the outstanding commercial debt (including the Eurobonds); (v) parliamentary approval of the 2022 budget; and (vi) Unification by the Central Bank of Lebanon of the exchange rates for authorized current account transactions.

The implementation of the prior actions is further complicated by the upcoming political agenda, with parliamentary elections due in May and presidential elections due before the end of October.

Beirut Port Explosion

On 4 August 2020, a large explosion occurred at the port of the city of Beirut, causing casualties and material damages across the capital of Lebanon. The Beirut Port explosion affected several individuals and businesses and contributed to further deterioration of the economic environment and disruption of businesses. The World Bank estimated the direct and indirect damages to the Lebanese economy as a result of the Beirut Port explosion at circa US\$8 billion.

Foreign exchange rates

Since the last quarter of 2019, several exchange rates emerged deviating significantly from each other and from the official published exchange rate: parallel exchange markets and the Sayrafa rate that are highly volatile, the Platform Rate, in addition to different exchange rates adopted for commercial transactions purposes in Lebanon.

- Basic Circular # 151 of the Central Bank of Lebanon "Exceptional Measures Concerning Cash Withdrawals from Foreign Currency Bank Accounts"

On April 21, 2020 the Central Bank of Lebanon issued Basic Circular 151 concerning depositors who wish to withdraw amounts of cash from their "local" foreign currencies accounts as per the Platform Rate up to limits set by their bank. The limits set by the banks in Lebanon had monthly averages of US\$ 3,000 per bank account. The "Platform Rate" was 1 US\$ / LBP 3,900 throughout the period from the issuance of the circular and up to December 2021. During December 2021, it was increased to 1 US\$ / LBP 8,000.

- Basic Circular of the Central Bank of Lebanon # 157 “Measures on Foreign currency Transactions”
On May 10, 2021, the Central Bank of Lebanon issued Basic Circular 157 setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers’ FX operations (buy and sell) related to their personal or commercial needs on the electronic platform “Sayrafa”. Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. The Sayrafa corresponds to a floating system and the Sayrafa Average Rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon. Foreign currency operations were executed on the Sayrafa platform at the following exchange rates:

	2021		2020	
	<i>Rate as at 31 December LBP</i>	<i>Average rate for the period from 10 May to 31 December LBP</i>	<i>Rate as at 31 December LBP</i>	<i>Average rate for the year ended 31 December LBP</i>
US Dollar	22,700	16,266	N/A	N/A

The Sayrafa platform is not available for the purchase and sale of and “local” foreign currency bank accounts which are subject to unofficial capital controls.

- Basic Circular of the Central Bank of Lebanon # 158 “Exceptional Measures for the Gradual Withdrawal of Deposits in Foreign Currencies”
On June 8, 2021, the Central Bank of Lebanon issued Basic Circular 158 defining the mechanism for the gradual settlement of 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.

The Company's Financial particulars

Transactions and balances in foreign currencies

Assets and liabilities in foreign currency and transactions in foreign currency, regardless of whether they are onshore or offshore, were reflected in these financial statements at the official published exchange rate below:

	<u>2021</u>		<u>2020</u>	
	<i>Rate as at</i>	<i>Average rate</i>	<i>Rate as at</i>	<i>Average rate</i>
	<i>31</i>	<i>for the year</i>	<i>31 December</i>	<i>for the year</i>
	<i>December</i>	<i>ended 31</i>	<i>31 December</i>	<i>ended 31</i>
	<i>LBP</i>	<i>December</i>	<i>LBP</i>	<i>December</i>
		<i>LBP</i>		<i>LBP</i>
US Dollar	1,507.5	1,507.5	1,507.5	1,507.5
Euro	1,701.52	1,786.92	1,851.21	1,724.88

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis.

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 did not determine 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 monetary assets and liabilities in foreign currencies, whether onshore or offshore, were converted in Lebanese pound at the official exchange rate of US\$1 = LBP1,507.5.

As the official exchange rate significantly deviates from the exchange rates in the parallel markets, this does not represent a 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 valuation of the Company's assets and liabilities in foreign currencies at a different rate is expected to significantly impact the Company's financial statements once the regulatory authorities adopt a new exchange rate policy.

Because of the restrictions in accessing foreign currencies at the official exchange rate peg, the Company established procedures and governance in relation to the purchase of foreign currency from the parallel market and consequently has sourced offshore liquidity against US\$66million during 2021 (2020: US\$59million) from the parallel market, which rates significantly deviated from the official exchange, thus resulting in net loss on exchange of US\$23 million (2020: US\$22 million)

Coronavirus (COVID-19)

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. It has caused disruption to businesses and economic activities and increased the level of uncertainty in domestic and international markets. Regulators and governments across the globe have introduced schemes to provide financial support to parts of the economy most impacted by the COVID-19 pandemic.

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

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

It remains unclear how this will evolve, and the Company continues to monitor the situation closely. Any and all such events mentioned above will add up to the already material adverse prospects on the Company's business, financial condition, results of operations, prospects, liquidity and capital position.

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

2.1 New and amended IFRS Standards 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 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an inter-company offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

2.2 Standards issued but not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2021, with the Company not opting for early adoption. These have therefore not been applied in preparing these separate financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Company.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively and are not expected to have a material impact on the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

The separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The separate financial statements are presented in U.S. Dollars being the currency of the Company's capital in accordance with Decree 2537 and accordingly, represents the Company's reporting currency. The Company's functional currency is the Lebanese Pound.

These separate financial statements relate to Solidere and do not include the Company's share in the results and equity of the joint ventures, subsidiaries and associates.

Separate financial statements are prepared for statutory reasons. Consolidated financial statements are prepared and are available at the Company's headquarters.

The separate financial statements are prepared under the historical cost convention.

Certain prior year information are reclassified to conform with current year presentation.

In view of the long term nature and particulars of the Company's operations, the separate financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Company and which are subject to market conditions and other factors commonly associated with real estate development projects; as such, the separate statement of financial position is shown as "unclassified" without distinction between current and long-term components. However, classification of financial position items is disclosed in Note 34.

Hyperinflation in Lebanon

As of December 31, 2021 and 2020, all conditions have been met for the Company's separate financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that separate financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analyzing the behavior of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 753% and 224%, respectively, as of December 31, 2021 (2020: 173% and 146% respectively). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after December 31, 2020.

Therefore, entities whose functional currency is the Lebanese Pound, should restate their separate financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatement shall be made as if the Lebanese economy has always been hyperinflationary; using a general price index that reflects the changes in the currency's purchasing power.

The effects of the application of IAS 29 are summarised below:

- (a) Separate financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.
- (b) In summary, the restatement method under IAS 29 is as follows:
 - (i) Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income/loss for the period for which it is reported.
 - (ii) Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.
 - (iii) Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortisation charges of intangible assets recognised in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.
 - (iv) Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately, and compare them again, but with the restated amounts.
 - (v) At the beginning of the first year of application of the restatement method of separate financial statements in terms of the current measuring unit, the prior-year comparatives are restated in terms of the measuring unit current at the end of the current reporting period, the equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

As of the date of the accompanying separate financial statements, for the reasons described below, management is temporarily unable to apply the above-mentioned standard nor is it able to quantify the effect that the application of IAS 29 would have on the presented separate financial statements management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Company in the accompanying separate financial statements including its statement of financial position, statement of profit or loss, statement of profit or loss and other comprehensive income and statement of cash flows.

The Company uses the official exchange rate of 1,507.5 US\$/LBP to translate balances and transactions in foreign currencies. Since the emergence of the parallel market and since the introduction by the Central Bank of Lebanon of the "Platform Rate" and the "Sayrafa Rate", the Lebanese market has witnessed multiple pricing and valuations of balances receivable and payable and operations in foreign currencies, depending on the settlement method.

Accordingly, the Company is translating balances (assets and liabilities) and transactions in foreign currencies at the official exchange rate, which does not represent a reasonable estimate of expected cash flows in Lebanese Pound 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 separate financial statements.

In addition, IAS 29 requires the use of a general price index to reflect changes in purchasing power. Most governments issue periodic price indices that vary in their scope, but all entities that report in the currency of the same economy should use the same index. The consumer price index is normally closest to the concept of the general price index required by IAS 29 because it is at the end of the supply chain and reflects the impact of prices on the general population's consumption basket. The weights allocated for the calculation of the consumer price index impact the consumer price index and might need to be revisited based on the new behavior of the population as a result of the crisis facing Lebanon.

Such matters impede a proper application of IAS 29 as any application under the current circumstances would not provide more relevant financial statements to Management, shareholders and other users.

The Company is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Company to develop new accounting software and processes, internal controls and governance framework. Based on the Company's preliminary assessment, the absence of an official legal payment and settlement mechanism that would reflect in a reasonable manner, the expected cash flows for assets and liabilities in foreign currencies, and the absence of an accurate reflection of price changes impede the useful information that would have been otherwise produced from the application of IAS 29. Accordingly, the Company has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Company is comfortable that such application would provide the users with more relevant information.

The significant accounting policies are set out below:

B. Foreign Currencies:

The functional currency of the Company is the Lebanese Pound whereas the presentation currency is the U.S. Dollars. Transactions denominated in other currencies are translated into Lebanese Pound at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities stated in currencies other than the Lebanese Pound are re-translated at the rates of exchange prevailing at the end of the year. The resulting exchange gain or loss is reflected in the separate statement of profit or loss and other comprehensive income. 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.

Also, when an entity's functional currency is the currency of a hyperinflationary economy, the entity shall restate its financial statements in accordance with IAS 29 before applying the translation method set out in paragraph 42, except for comparative amounts that are translated into a currency of a non-hyperinflationary economy. When the economy ceases to be hyperinflationary and the entity no longer restates its financial statements in accordance with IAS 29, it shall use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date the entity ceased restating its financial statements.

C. Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of Accounts and notes receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts and notes receivable and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

A receivable represents the Company's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

(ii) Derecognition:

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a 'pass through' arrangement, and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is derecognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognized in profit or loss.

Offsetting:

Financial assets and financial liabilities are only offset and the net amount is reported in the separate statement of financial position when there is a legally enforceable right to set-off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

D. Inventory of Land and Projects in Progress:

Inventory of land and projects in progress are stated at the lower of cost and estimated net realizable value. Costs include appraisal values of real estate plots constituting the contributions in kind to capital (A shares), in addition to capitalized costs. Capitalized costs comprise the following:

- Project direct costs and overheads related to the properties development, construction and project management as a whole, as well as acquisition, zoning, and eviction costs.
- Indirect costs, such as overheads, which were partially allocated to inventory of land and projects in progress.
- Borrowing cost as defined in Note 3 (N).

Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing and selling.

E. Investment Properties:

Investment properties which represent properties held to earn rent and/or for capital appreciation are measured initially at cost and subsequent to initial recognition are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties, excluding the cost of land, based on the following annual rates:

Buildings	2%
Furniture, fixtures, equipment and other assets	8%-20%

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognized in the separate statement of profit or loss and other comprehensive income as the expense is incurred.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

F. Investments in Subsidiaries:

The Company's investments in subsidiaries are accounted for under the cost method of accounting. Subsidiaries are entities that the Company controls. The Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

G. Investments in Associates and Joint ventures:

The Company's investments in associates and joint ventures are accounted for under the equity method of accounting in the consolidated financial statements and at cost in the separate financial statements.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

H. Property and equipment:

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual rates:

Buildings	2%-6%
Marina	2%
Furniture and fixtures	8%
Freehold improvements	8%
Machines and equipment	6%-20%

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of fixed assets. All other expenditure is recognized in the separate statement of profit or loss and other comprehensive income as the expense is incurred.

I. Impairment of Tangible Assets:

At each statement of financial position date, the carrying amounts of tangible assets (investment properties, fixed assets and inventory of land and projects in progress) 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 of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the balance sheet date less cost to sell, if any.
- Value in use assessed as 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 for applicable assets with cash generation units, as applicable.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized 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. The impairment loss is recognized in the separate statement of profit or loss and other comprehensive income.

J. Treasury Shares:

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Gains on sale of treasury shares are recorded under a reserve account in equity. Losses in excess of previously recognized gains are charged to retained earnings.

K. Revenue Recognition:

The standard introduces a 5 step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue on land and real estate sales transactions is recognized when control is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and when the following conditions are met:

- A sale is consummated, and contracts are signed;
- The buyer's initial (in principle over 25% of sales price) and continuing investments are adequate to demonstrate a commitment to pay for the property;
- The Company's receivable is not subject to future subordination; and
- The Company has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and the Company does not have a substantial continuing involvement with the property.

If any of the above conditions is not met, the initial payments received from buyers are recorded under deferred revenues and other credit balances. Amounts are released to revenue as and when the above conditions are fulfilled.

Financial assets received in return for the sale of land and real estate are valued at fair market value.

Rental income arising from leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Interest income is recognized as interest accrues using the effective interest method, by reference to the principal outstanding and the applicable interest rate.

Revenue from rendering of services and broadband network is recognized when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

L. Cost of Land Sales:

Cost of properties sold is determined on the basis of the built-up area (BUA) - permitted right to build in square meters - on the sold plots based on the terms of the sales agreements. The cost of one square meter of BUA is calculated by dividing, total estimated cost of the land development project over total available BUA after deducting of the BUA relating to recuperated properties and those relating to the religious and public administrations.

M. Cash and Cash Equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand, checks for collection, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

N. Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets and inventory of land and projects in progress, which are assets that necessarily take a substantial period of time to be ready for their intended use, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use.

All other borrowing costs are reflected in the separate statement of profit or loss and other comprehensive income in the period in which they are incurred.

O. Bank Borrowings:

Interest-bearing bank loans and overdrafts are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized in profit or loss over the term of the borrowings through the amortization process, using the effective interest rate method.

P. Trade and other payables:

Trade and other payables are initially measured at fair value. Due to their short-term nature, the carrying amount of trade and other payables approximates their fair values as of the date of the separate statement of financial position. Average maturity dates of trade payables range between 30-90 days. Short duration payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Q. Taxation:

Current Tax

Income tax is determined and provided for in accordance with the Lebanese income tax law. Income tax expense is calculated based on the taxable profit for the year. Taxable profit differs from net profit as reported in the separate statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in future years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted at the balance sheet date. Provision for income tax is reflected in the separate statement of financial position net of taxes previously settled in the form of withholding tax. Taxable losses are allowed to be carried forward for the following three consecutive years.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the date of the separate statement of financial position between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted at the date of the separate statement of financial position.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Taxes payable on unrealized revenues are deferred until the revenue is realized.

Current tax and deferred tax relating to items that are credited or charged directly to other comprehensive income are recognized directly in other comprehensive income.

R. Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, 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 these cash flows.

S. Employees' End-of-Service Indemnities:

The Company provides end-of-service indemnity to its employees. The entitlement to these benefits is based on the employees' final salary and length of service, subject to the completion of a minimum service period and for those employees wishing to settle their accounts. The expected costs of these benefits are accrued over the period of employment.

T. Dividends on shares

Dividends on shares are recognized as a liability and deducted from equity when they are approved by the general assembly of the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

U. Fair Value Measurement:

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

In the application of the accounting policies described in Note 3 above, 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.

The most significant estimate made by the Company is the determination of the aggregate cost of the Beirut Central District Project and the fair value of the investment properties.

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. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the separate financial statements continue to be prepared on the going concern basis.

Impairment of Investment in Joint Ventures, Subsidiaries and Associates

The Company assesses at each reporting date whether there is indication that an investment may be impaired. If any indication exists, the Company estimates the investment's recoverable amount. When the cost of the investment exceeds the recoverable amount, the investment is considered impaired and a provision for impairment is setup representing the difference between the investment's recoverable amount and its carrying value. The provision is charged to the separate statement of profit or loss and other comprehensive income.

Estimation of Net Realizable Value for Inventory of Property

Inventory property is stated at the lower of cost and net realizable value (NRV). NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Company, based on comparable transactions identified by the Company for properties in the same geographical market serving the same real estate segment. NRV in respect of inventory of property under construction is assessed with reference to market prices at reporting date for similar completed property, less estimated cost to complete construction, and an estimate of the time value of money to the date of completion.

5. CASH AND BANK BALANCES

	December 31,	
	2021	2020
	US\$	US\$
Cash on hand	1,632,438	1,285,959
Checks for collection	771,863	366,642
Current accounts	81,402,568	117,037,526
Short term deposits	11,752,970	5,353,684
	<u>95,559,839</u>	<u>124,043,811</u>
<u>Less: Allowance for expected credit losses</u>	<u>(8,807,195)</u>	<u>(12,595,707)</u>
	<u>86,752,644</u>	<u>111,448,104</u>

The movement of the allowance for expected credit losses on bank balances is as follows:

	2021	2020
	US\$	US\$
Balance at the beginning of the year	12,595,707	7,595,707
Additions, net (Note 24)	-	5,000,000
Reallocation of provisions provided in prior years	<u>(3,788,512)</u>	-
Balance at the end of the year	<u>8,807,195</u>	<u>12,595,707</u>

Short term deposits mature within three months (December 31, 2020: the same). The average yield on the term deposits for the year ended December 31, 2021 was approximately 0.13% (1.08 % for the year ended December 31, 2020).

Total exposure for the year ended December 31, 2021 is detailed as follows:

	Local	Foreign	Total
	Banks	Banks	
	US\$	US\$	US\$
Current accounts	51,887,289	29,515,279	81,402,568
Short term deposits	252,970	11,500,000	11,752,970
	<u>52,140,259</u>	<u>41,015,279</u>	<u>93,155,538</u>

Local bank balances are denominated as follows:

	<u>Current accounts</u>	<u>Short term deposits</u>	<u>Total</u>
	US\$	US\$	US\$
US Dollars	51,050,846	252,970	51,303,816
Lebanese Pound	818,703	-	818,703
GBP	14,117	-	14,117
Euro	3,623	-	3,623
	<u>51,887,289</u>	<u>252,970</u>	<u>52,140,259</u>

Local bank balances in foreign currencies include an amount of US\$50,479,408 subject to the de-facto capital control as disclosed in Note 1.

Total exposure for the year ended December 31, 2020 is detailed as follows:

	<u>Local Banks</u>	<u>Foreign Banks</u>	<u>Total</u>
	US\$	US\$	US\$
Current accounts	107,674,341	9,363,185	117,037,526
Short term deposits	253,113	5,100,571	5,353,684
	<u>107,927,454</u>	<u>14,463,756</u>	<u>122,391,210</u>

Local bank balances are denominated as follows:

	<u>Current accounts</u>	<u>Short term deposits</u>	<u>Total</u>
	US\$	US\$	US\$
US Dollars	106,249,725	253,113	106,502,838
Lebanese Pound	1,401,909	-	1,401,909
GBP	12,947	-	12,947
Euro	9,760	-	9,760
	<u>107,674,341</u>	<u>253,113</u>	<u>107,927,454</u>

Local bank balances in foreign currencies include an amount of US\$106,388,916 subject to the de-facto capital control as disclosed in Note 1.

6. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31,	
	2021	2020
	US\$	US\$
Notes receivable (a)	53,990,769	87,463,704
Accounts receivable (b)	16,320,860	13,679,343
<u>Less:</u> Unearned interest	(7,040,221)	(8,300,327)
<u>Less:</u> Allowance for impairment on notes and accounts receivable (d)	(50,938,239)	(51,815,910)
	<u>12,333,169</u>	<u>41,026,810</u>
Receivables from tenants (c)	48,793,211	43,057,385
<u>Less:</u> Allowance for impairment on receivable from tenants (d)	(48,433,691)	(41,820,196)
	<u>359,520</u>	<u>1,237,189</u>
Reserve account and deferred charges on BCD 1 Fund (Note 7)	-	12,279,048
	-	<u>12,279,048</u>
	<u>12,692,689</u>	<u>54,543,047</u>

- (a) Notes receivable, which resulted mainly from land sales carry the following maturities and are distributed as follows:

	December 31,	
	2021	2020
	US\$	US\$
Doubtful balances	53,912,769	63,207,704
Overdue but not impaired	-	24,178,000
2022 and above	78,000	78,000
	<u>53,990,769</u>	<u>87,463,704</u>

- (b) Accounts receivable, which resulted mainly from land and real estate sales carry the following maturities and are distributed as follows:

	December 31,	
	2021	2020
	US\$	US\$
Doubtful balances	15,208,251	12,395,208
Overdue but not impaired	1,112,609	1,284,135
	<u>16,320,860</u>	<u>13,679,343</u>

- (c) Receivables from tenants include an amount of US\$29,393,696 as of December 31, 2021 (US\$22,886,200 as of December 31, 2020) due from the Lebanese Ministry of Foreign Affairs and Immigrants in respect of the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia - ESCWA.

During 2021, the Company wrote-off doubtful receivables from tenants in the amount of US\$1,670,054 recorded under "Write-off of receivables" in the separate statement of profit or loss and other comprehensive income (US\$2,186,841 during the year 2020).

- (d) The movement of the allowance for impairment is as follows:

	December 31,	
	2021	2020
	US\$	US\$
Balance at the beginning of the year	93,636,106	106,147,295
Additions, net (Note 24)	-	17,375,394
Reallocation of provisions provided in prior years	6,263,324	1,654,824
Write-off (d.1)	<u>(527,500)</u>	<u>(31,541,407)</u>
Balance at the end of the year	<u>99,371,930</u>	<u>93,636,106</u>

(d.1) Following the settlement agreements reached, the Company wrote-off doubtful accounts receivables in the amount of US\$427,500 during 2021 that were already provided for earlier. In addition, the Company wrote-off an amount of US\$100,000 of previously provided for doubtful notes receivable.

During 2020, and following the settlement agreements reached, the Company wrote-off an amount of US\$30,571,700 of previously provided for doubtful receivables from two land sales made in previous years. In addition, the Group wrote-off doubtful receivables from tenants in the amount of US\$969,707 during 2020 that were already provided for earlier.

7. INVESTMENT IN ASSET-BACKED SECURITIES

During 2013, the Company signed an agreement with a local financial institution to securitize notes receivable with an aggregate nominal value of US\$185million relating to 4 customers creating Beirut Central District SIF 1 Fund (the BCD 1 Fund). As a result, the Company collected an amount of US\$93,821,227, net of reserve account and transaction costs.

During 2018, the Company signed another agreement with the same financial institution to securitize notes receivable with an aggregate nominal value of US\$81million relating to 4 customers creating Beirut Central District SIF 2 Fund (the BCD 2 Fund). As a result, the Company collected an amount of US\$19,168,014, net of reserve account and transaction costs. Subsequent to the date of the Fund's inception, a restructuring of the BCD 2 Fund securities took place, whereas US\$4.6million worth of Class A Notes and US\$18.8million worth of Class B Notes were paid back to the Company.

The Company subscribed to the following notes issued by the BCD Funds:

Class of Notes	Total Issuance US\$	Subscription Amount US\$	Carrying Amount		Interest Rate %
			December31,		
			2021 US\$	2020 US\$	
BCD 1:					
Class A	130,000,000	28,000,000	-	-	5
Class B	45,000,000	45,000,000	-	5,378,559	5
Class C	10,160,450	10,160,450	-	10,160,450	-
	<u>185,160,450</u>	<u>83,160,450</u>	<u>-</u>	<u>15,539,009</u>	
Allowance for expected credit losses	-	-	-	(7,100,000)	
BCD 2:					
Class A	56,777,280	6,546,883	-	-	7
Class B	24,333,120	24,333,120	-	-	-
	<u>81,110,400</u>	<u>30,880,003</u>	<u>-</u>	<u>-</u>	
	<u>266,270,850</u>	<u>114,040,453</u>	<u>-</u>	<u>8,439,009</u>	

BCD 1 Fund:

Class B Notes are redeemable on a semi-annual basis. Class B Notes were subordinated to Class A Notes. Class C Notes are subordinated to Class A and Class B Notes and will be repaid by the BCD 1 Fund solely if excess funds are available from collection of assets.

Interest on Class B Notes is non-cumulative and is paid semiannually solely from available funds after payment of the BCD 1 Fund's dues for the related periods.

The Company placed a reserve account in the amount of US\$6,650,000, as stipulated by the BCD 1 Fund's regulations, to cover any shortfall in payments of principal and interest of the asset-backed securities issued by the BCD 1 Fund and to cover the senior expenses of the BCD 1 Fund. The Company funds this reserve account to maintain the required balance.

During 2020, an amount of US\$377,532 was used to cover the shortfall in the Fund's payments and the outstanding reserve account balance decreased to US\$30,068 as at December 31, 2020.

The movement of the reserve account receivable from BCD 1 Fund presented under accounts receivable (Note 6), is as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance at the beginning of the year	30,068	407,600
To cover shortfall in payments of principal and interest	-	(377,532)
Write-off upon final liquidation	<u>(30,068)</u>	-
Balance at the end of the year	<u>-</u>	<u>30,068</u>

The movement of the deferred charges from securitization of notes from BCD 1 Fund (Note 6), is as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance, at the beginning of the year	12,248,980	11,871,448
Withdrawals from reserve BCD 1 Fund	-	377,532
Write-off upon final liquidation	<u>(12,248,980)</u>	-
Balance at the end of the year	<u>-</u>	<u>12,248,980</u>

During the meeting held on December 25, 2020, the Unitholders' Assembly of BCD 1 Fund decided to sell the mortgage of the remaining asset held by the Fund to a local Bank against a payment of US\$15million settled on December 30, 2020 on 6 monthly deposits of US\$1.38million each starting on January 2021 till June 30, 2021 to be deposited in the Fund's bank account. The balance was fully settled in 2021.

On July 27, 2021, BCD 1 Fund was fully liquidated and related amount, that was already provided for, was written-off following a settlement agreement in connection with the remaining assets held by the Fund. An amount of US\$22.89million was received by the Company upon liquidation and the remaining unused amount of allowance for expected credit losses amounting to US\$2.17million was transferred to allowance for impairment (Note 6).

BCD 2 Fund:

Class A and B Notes are redeemable on a pro rata basis on each quarterly payment date, subject to availability of funds. Class B Notes are subordinated to Class A Notes. Class B Notes will be repaid by the BCD 2 Fund in accordance with the applicable priority of payments.

The Company placed a reserve account in the amount of US\$7,178,969 as stipulated by the BCD 2 Fund's regulations, to cover any shortfall in payments of principal and interest of the asset-backed securities issued by the BCD 2 Fund and to cover the senior expenses of the BCD 2 Fund. According to the BCD 2 Fund regulations, the reserve account balance should be maintained at US\$7,178,969 (Note 6). During 2019, an additional cash injection amounting to US\$2,600,000 was added to the reserve account to cover shortfall in payments. During 2020, an amount of US\$515,466 was used to cover the shortfall in payments.

The movement of the reserve account receivable from BCD 2 Fund presented under accounts receivable (Note 6), is as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance at the beginning of the year	-	2,492,118
To cover shortfall in payments of principal and interest	-	(515,466)
Write-off upon final liquidation	-	(1,976,652)
Balance at the end of the year	<u>-</u>	<u>-</u>

The movement of the deferred charges from securitization of notes from BCD 2 Fund (Note 6), is as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance at the beginning of the year	-	7,286,851
Withdrawals from reserve BCD 2 Fund	-	515,466
Write-off upon final liquidation	-	(7,802,317)
Balance at the end of the year	<u>-</u>	<u>-</u>

On December 17, 2020, BCD 2 Fund was fully liquidated and related amount, that was already provided for, was written-off following a settlement agreement in connection with the remaining assets held by the Fund.

Interest income from the Funds:

Interest income in the amount of US\$320,614 for the year 2020 is recorded under "Interest income" in the separate statement of profit or loss and other comprehensive income (2021: Nil) (Note 26).

8. PREPAYMENTS AND OTHER DEBIT BALANCES

	December 31,	
	2021	2020
	US\$	US\$
Prepaid expenses	7,680,022	6,901,276
Value added tax (VAT) receivable (a)	3,997,791	791,225
Advance payments to contractors	2,336,465	135,709
Advances to employees	662,396	930,010
Due from joint ventures, subsidiaries, associates and related parties (b)	79,109	30,172,248
Deferred tax assets (c)	-	1,827,500
Other debit balances, net (d)	1,025,681	1,707,928
	<u>15,781,464</u>	<u>42,465,896</u>

(a) Value added tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except, where the VAT incurred on a purchase of assets or services is not recoverable from VAT authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from, or payable to, the VAT authority is included as part of receivables or payables in the statement of financial position.

The movement of the Value Added Tax (VAT) receivable/(payable) was as follows:

	2021	2020
	US\$	US\$
Balance, beginning of the year	791,225	(1,193,882)
Additions, net	3,306,359	(3,295,579)
Settlements	(99,793)	5,039,424
Transfers	-	241,262
Balance, end of the year	<u>3,997,791</u>	<u>791,225</u>

(b) Due from joint ventures, subsidiaries, associates and related parties consist of the following:

	December 31,	
	2021	2020
	US\$	US\$
BCD Cinemas S.A.L. (Associate) (b.1)	2,561,367	2,384,386
Solidere International Holdings S.A.L (Holding) (Subsidiary)	35,521	12,198
Solidere International PLC (Associate)	32,261	32,261
Beirut Waterfront Development S.A.L. (Joint venture) (b.2)	20,405	29,876,765
Beirut Hospitality Company S.A.L. (Holding) (Joint venture)	10,000	10,000
Solidere Management Services S.A.L. (Offshore) (Subsidiary)	1,326	-
City Makers S.A.R.L. (Related party)	-	56,359
<u>Less: Allowance for expected credit losses (b.3)</u>	<u>(2,581,771)</u>	<u>(2,199,721)</u>
	<u>79,109</u>	<u>30,172,248</u>

The above balances are interest free and are of a current nature.

- (b.1) During 2021, the Company set up an additional provision against impairment of the balance receivable from BCD Cinemas S.A.L. for an amount of US\$361,645 recorded under "Provision for impairment, net" in the separate statement of profit or loss and other comprehensive income (Note 24).
- (b.2) On November 20, 2020, the Company signed a "Memorandum of Understanding" with "Beirut Waterfront Development S.A.L." (BWD), to acquire apartments and parkings amounting to US\$29.25 million in settlement of the balance due. During 2021, the Company acquired 14 apartments and parkings by the amount agreed on and recorded these properties under "Investment properties, net" in the statement of financial position (Note 10). Other expense incurred on the above balance due amounting to US\$285,750 was recorded under "Other expense" in the separate statement of profit or loss and other comprehensive income.

During 2021, the Company set up an additional provision against impairment of the balance receivable from Beirut Waterfront Development S.A.L. for an amount of US\$20,405 recorded under "Provision for impairment, net" in the separate statement of profit or loss and other comprehensive income (Note 24).

(b.3) The movement of the allowance for expected credit losses on related parties' balances is as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance at the beginning of the year	2,199,721	-
Additions (Note 24)	282,050	2,199,721
Reallocation of provisions provided in prior years (note 11)	<u>100,000</u>	<u>-</u>
Balance at the end of the year	<u><u>2,581,771</u></u>	<u><u>2,199,721</u></u>

- (c) Deferred tax assets amounting to US\$1,827,500 as at December 31, 2020 was recognized on unrealized profits from sales to a joint-venture (Note 11(a)). During 2021, the properties were transferred from "Beirut Waterfront Development S.A.L." (Note 8(b.2)) and the unrealized gain amounting to US\$10,750,000 was recognized in the separate statement of profit or loss and other comprehensive income under "Other Income" (Note 25). As a result, the deferred tax asset was utilized and recorded under "income tax expense" in 2021 (Note 14(e.1)).
- (d) Other debit balances amounting to US\$7,723,990 are stated net of provisions in the amount of US\$6,698,309 as at December 31, 2021 (December 31, 2020: US\$8,406,237 net of provisions in the amount of US\$6,698,309).

The movement of the provisions was as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance at the beginning of the year	6,698,309	2,147,283
Additions (Note 24)	-	4,370,391
Reallocation of provisions provided in prior years	<u>-</u>	<u>180,635</u>
Balance at the end of the year	<u><u>6,698,309</u></u>	<u><u>6,698,309</u></u>

9. INVENTORY OF LAND AND PROJECTS IN PROGRESS

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	US\$	US\$
Land and land development works, net (a)	756,193,101	791,519,969
Real estate development projects, net (b)	<u>96,981,489</u>	<u>95,586,478</u>
	<u><u>853,174,590</u></u>	<u><u>887,106,447</u></u>

(a) Land and land development works include the following cost items:

	December 31,	
	2021	2020
	US\$	US\$
Acquired properties (a.1)	970,823,554	970,823,554
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	958,137,585	954,787,505
Eviction costs (a.4)	260,351,968	260,351,968
Capitalized costs (a.5)	119,448,263	116,877,508
Cumulative costs	<u>2,318,174,172</u>	<u>2,312,253,337</u>
<u>Less:</u> Cost of land sold, net	(1,379,608,232)	(1,338,360,529)
Cost of land transferred to real estate development projects (b)	(176,019,718)	(176,019,718)
Cost of infrastructure transferred to real estate development projects	<u>(6,353,121)</u>	<u>(6,353,121)</u>
	<u><u>756,193,101</u></u>	<u><u>791,519,969</u></u>

(a.1) Acquired properties consist mainly of the aggregate initial appraised value attributed to the plots included in the BCD area of US\$1,170,001,290 net of the recuperated properties. The aggregate appraised value is determined in accordance with Decree No. 2236 (dated February 19, 1992 based on the decision of the Higher Appraisal Committee, which was established in accordance with Law No. 117/91). Acquired properties include the value of purchased and exchanged properties as well.

Law No. 117/91 stated the requirements for property recuperation and exemption. In this respect properties appraised at US\$255million were recuperated by original owners and properties appraised at US\$133million were not claimed for recuperation.

(a.2) Pre-acquisition costs include technical and master plan studies incurred during the set up period of the Company.

(a.3) Infrastructure costs consists of the following:

	December 31,	
	2021	2020
	US\$	US\$
Sea front defense	360,768,839	360,748,320
Work executed in the traditional BCD area	209,408,942	209,153,076
Land reclamation and treatment	103,774,114	103,671,232
Borrowing costs	48,530,457	48,530,457
Electricity power station	42,931,751	42,931,751
Other costs	<u>192,723,482</u>	<u>189,752,669</u>
	<u><u>958,137,585</u></u>	<u><u>954,787,505</u></u>

(a.4) Eviction costs represent the costs of relocating previous settlers out of the BCD area which were mainly paid through the Central Fund for the Displaced (a public authority). This caption is stated net of US\$22.2million as of December 31, 2021 (US\$22.2million as of December 31, 2020) representing a 10% charge on recuperated properties appraised values collected from original owners other than religious and governmental recuperated properties.

(a.5) Capitalized costs represent allocation of direct overheads. Costs capitalized during the year ended December 31, 2021 before indirect cost reallocation amounted to US\$2.6million (US\$2.9million during the year ended December 31, 2020) (Note 23).

(b) Real estate development projects include the following:

	December 31,	
	2021 US\$	2020 US\$
Construction and rehabilitation of buildings	750,328,557	748,933,546
Cost of land (a)	176,019,718	176,019,718
Cumulative costs	926,348,275	924,953,264
<u>Less: Cost transferred to investment properties, net</u>	(754,965,156)	(754,965,156)
Cost transferred to property and equipment	(30,237,375)	(30,237,375)
Cost of real estate sold	(44,164,255)	(44,164,255)
	<u>96,981,489</u>	<u>95,586,478</u>

During 2020, the Company allocated interest expense to real estate development projects in the amount of US\$106,815 (2021: Nil) (Note 27).

During 2020, the Company wrote-off an amount of US\$31.9million (2021: Nil) of previously capitalized cost on development projects that were abandoned. The amount written off was recorded under "Cost of land sales" in the separate statement of profit or loss and other comprehensive income.

On August 4, 2020, a devastating deadly blast occurred at the Beirut seaport causing severe property damages across a wide area of the capital in general and Solidere in specific. Management has performed an assessment on the Company's properties and noted damages amounting to US\$21.7million recorded under "Provision for contingencies" in the separate statement of profit or loss and other comprehensive income and allocated between US\$13.9million related to real estate development projects, US\$7.4million to investment properties and US\$400thousand to property and equipment.

10. INVESTMENT PROPERTIES, NET

	Balance as at December 31, 2020	Additions	Disposals (Explosion) (Note 9)	Sales	Balance as at December 31, 2021
	US\$	US\$	US\$	US\$	US\$
Cost:					
Land	109,402,139	-	-	(741,300)	108,660,839
Buildings	552,041,209	64,031,221	-	(2,104,978)	613,967,452
Other assets	37,580,461	184,023	-	-	37,764,484
	<u>699,023,809</u>	<u>64,215,244</u>	<u>-</u>	<u>(2,846,278)</u>	<u>760,392,775</u>
Accumulated Depreciation:					
Buildings	109,900,377	11,516,437	-	(432,442)	120,984,372
Other assets	27,185,384	2,631,343	-	-	29,816,727
	<u>137,085,761</u>	<u>14,147,780</u>	<u>-</u>	<u>(432,442)</u>	<u>150,801,099</u>
Net Book Value	<u>561,938,048</u>				<u>609,591,676</u>
	Balance as at December 31, 2019	Additions	Disposals (Explosion) (Note 9)	Sales	Balance as at December 31, 2020
	US\$	US\$	US\$	US\$	US\$
Cost:					
Land	113,111,569	-	-	(3,709,430)	109,402,139
Buildings	553,735,718	31,764,628	(21,224,555)	(12,234,582)	552,041,209
Other assets	37,385,327	195,134	-	-	37,580,461
	<u>704,232,614</u>	<u>31,959,762</u>	<u>(21,224,555)</u>	<u>(15,944,012)</u>	<u>699,023,809</u>
Accumulated Depreciation:					
Buildings	114,560,771	10,887,373	(13,825,084)	(1,722,683)	109,900,377
Other assets	24,494,260	2,691,124	-	-	27,185,384
	<u>139,055,031</u>	<u>13,578,497</u>	<u>(13,825,084)</u>	<u>(1,722,683)</u>	<u>137,085,761</u>
Net Book Value	<u>565,177,583</u>				<u>561,938,048</u>

Investment properties include rented and available for rent properties. These represent "Beirut Souks", "BCD Cinemas", a property leased out to the Ministry of Foreign Affairs and Emigrants for use by an international agency, residential complexes, an embassy complex, and other restored buildings.

Included in the additions of buildings in investment properties an amount of US\$29.25 million which is related to the apartments and parkings acquired from 'Beirut Waterfront S.A.L.' (BWD), a joint venture, against the settlement of the balance due (Note 8 (b.2)).

Disposals of land, building and other assets during 2021 resulted in a gain of US\$441,764 recorded under "Gain on sale and disposal of investment properties" in the separate statement of profit or loss and other comprehensive income for the year ended December 31, 2021 (US\$4,694,767 for the year ended December 31, 2020).

Depreciation for investment properties in the amount of US\$14,147,780 for the year 2021 (US\$13,578,497 for the year 2020) is recorded under "Charges on rented properties" in the separate statement of profit or loss and other comprehensive income (Note 21).

The fair value of the investment properties based on a valuation by an independent expert is approximately US\$2billion as of December 31, 2021 assuming payments within Lebanon through check or local bank transfer (US\$2.8billion as of December 31, 2020) based on a market capital approach estimated by the management.

The Company classifies investment properties within level 2 in the hierarchy of fair value measurement (Note 35).

11. INVESTMENTS IN JOINT VENTURES, SUBSIDIARIES AND ASSOCIATES

	% of Ownership		December 31,	
	2021	2020	2021	2020
	%	%	US\$	US\$
Investment in Solidere International Holdings S.A.L. (Subsidiary) (b)	100	100	192,367,748	192,367,748
Investment in Beirut Waterfront Development S.A.L. (Joint venture) (a)	50	50	11,385,075	11,385,075
Long term loan to Beirut Waterfront Development S.A.L. (Joint venture) (a)			36,540,000	36,540,000
Investment in Beirut Hospitality Company S.A.L. (Holding) (Subsidiary)	100	100	33,302,380	33,302,380
Investment in Solidere International PLC (Associate)	41	41	20,108,348	20,108,348
Investment in STOW Waterfront Holding S.A.L.	1.68	1.68	506,000	506,000
Investment in Solidere Management Services S.A.L. (Offshore) (Subsidiary)	100	100	249,600	249,600
Investment in Solidere Management Services S.A.L. (Subsidiary)	100	100	124,933	124,933
Investment in Beirut Real Estate Management and Services S.A.L. (Joint venture)	-	45	-	9,000
Investment in BCD Cinemas S.A.L (Associate)	40	40	8,000	8,000
<u>Less: Provision for impairment of Beirut Waterfront Development S.A.L (Joint Venture) (a)</u>			(25,790,000)	(25,890,000)
<u>Less: Provision for impairment of subsidiaries</u>			(33,551,980)	(33,551,980)
			<u>235,250,104</u>	<u>235,159,104</u>

- (a) The Company entered into a joint venture agreement on February 11, 2004, with Stow Waterfront S.A.L. (Holding) to establish Beirut Waterfront Development S.A.L. with a 50% stake in the joint venture's total capital. The main activity of the joint venture is to develop, operate, manage, exploit and sell real estate properties in the Marina area in Beirut Central District.

As per the terms of the agreement, on December 31, 2005, the Company sold properties with an aggregate cost of US\$10,100,000 from inventory of land and projects in progress, to the joint venture for a total consideration of US\$31,600,000. As a result of the sale transaction, the Company realized 50% of the gain on the sale in the amount of US\$10,750,000 in profit or loss in 2005 and deferred the unrealized gain on sales in the amount of US\$10,750,000, recorded under "deferred revenues and other credit balances" in the statement of financial position, to be realized after realization of the sale of the properties to third parties (Note 16). In 2021, the related properties were transferred to the Company and the amount of US\$10,750,000 was recorded under "Other income" in the separate statement of profit or loss and other comprehensive income (Note 25).

On June 27, 2006, the Company granted Beirut Waterfront Development S.A.L. a long term loan against issuance of bonds for a total amount of US\$25.2million. This loan is subject to an annual interest of Libor + 2% but not less than 9%, payable on June 30 of each year. The total amount of this loan was due on June 30, 2011. During 2011, the maturity of the above loan was extended to June 30, 2016 with the same terms and conditions of the previous agreement and the accumulated interest up to June 30, 2011 in the amount of US\$11,340,000 was capitalized with the original principal. The new principal of the loan accumulated interest amounted to US\$21,375,900.

During 2018, the Company's board of directors decided to stop accruing interest and to recycle the deferred interest amounting to US\$32,715,900 to the separate statement of profit or loss. The Company setup provisions for the full amount recognized against long term loan in the capitalized portion of US\$11,340,000 and against accrued interest on long term loan in the amount of US\$21,375,900.

Also, the Company set up an additional provision against impairment of the investment and the receivables due from Beirut Waterfront Development S.A.L amounting to US\$10.6million recorded under "Provision for impairment, net" in the separate statement of profit or loss and other comprehensive income. Moreover during 2018, the Company transferred US\$1.4million from provision for impairment of remaining subsidiaries, to provide against the receivable due from Beirut Waterfront Development S.A.L. Also, during 2019, the Company transferred US\$2.55million from provision for contingencies.

- (b) On July 14, 2020, the Extraordinary General Assembly of Solidere International Holdings S.A.L. decided to decrease the share capital of the company. As a result, the investment of the Company in the subsidiary decreased by a total amount of US\$4.4million to become US\$192.4million as at December 31, 2021 and 2020. The number of issued shares in the share capital remains unchanged at the same level of 2,186,000 shares.

The movement of the provisions was as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance at the beginning of the year	59,441,980	59,441,980
Reallocation of provisions provided in prior years	(100,000)	-
Balance at the end of the year	<u>59,341,980</u>	<u>59,441,980</u>

12. PROPERTY AND EQUIPMENT, NET

	<u>Balance as at December 31, 2020</u>	<u>Additions</u>	<u>Disposals and Sales</u>	<u>Balance as at December 31, 2021</u>
	US\$	US\$	US\$	US\$
Cost				
Land	5,406,678	-	-	5,406,678
Buildings	37,154,935	2,635,545	-	39,790,480
Marina	7,972,170	-	-	7,972,170
Furniture and fixture	5,499,204	-	-	5,499,204
Freehold improvements	13,966,857	-	-	13,966,857
Machines and equipment	39,816,587	231,117	(268,825)	39,778,879
	<u>109,816,431</u>	<u>2,866,662</u>	<u>(268,825)</u>	<u>112,414,268</u>
Accumulated Depreciation				
Buildings	9,970,586	934,590	-	10,905,176
Marina	2,603,858	160,045	-	2,763,903
Furniture	5,046,081	189,306	-	5,235,387
Freehold improvements	11,478,873	731,914	-	12,210,787
Machines and equipment	38,330,744	273,690	(268,825)	38,335,609
	<u>67,430,142</u>	<u>2,289,545</u>	<u>(268,825)</u>	<u>69,450,862</u>
Net Book Value	<u>42,386,289</u>			<u>42,963,406</u>

	Balance as at December 31, 2019	Additions	Disposals and Sales (Note 9)	Balance as at December 31, 2020
	US\$	US\$	US\$	US\$
Cost				
Land	5,406,678	-	-	5,406,678
Buildings	38,166,084	80,370	(1,091,519)	37,154,935
Marina	7,974,624	27,546	(30,000)	7,972,170
Furniture and fixture	5,499,204	-	-	5,499,204
Freehold improvements	13,966,857	-	-	13,966,857
Machines and equipment	39,570,833	269,646	(23,892)	39,816,587
	<u>110,584,280</u>	<u>377,562</u>	<u>(1,145,411)</u>	<u>109,816,431</u>
Accumulated Depreciation				
Buildings	9,688,469	1,012,475	(730,358)	9,970,586
Marina	2,430,478	173,380	-	2,603,858
Furniture and fixtures	4,797,090	248,991	-	5,046,081
Freehold improvements	10,672,104	806,769	-	11,478,873
Machines and equipment	37,933,709	412,593	(15,558)	38,330,744
	<u>65,521,850</u>	<u>2,654,208</u>	<u>(745,916)</u>	<u>67,430,142</u>
Net Book Value	<u>45,062,430</u>			<u>42,386,289</u>

Disposals resulted in a gain of US\$ \$63,689 recorded under "Other Income" in the separate statement of profit or loss and other comprehensive income for the year ended December 31, 2021 (US\$22,134 for the year ended December 31, 2020) (Note 25).

13. BANK OVERDRAFTS AND SHORT TERM FACILITIES

Interest expense on bank overdrafts for the year ended December 31, 2020 amounted to US\$600,250 (2021: Nil) and is recorded under "Interest expense" in the separate statement of profit or loss and other comprehensive income (Note 27).

Interest expense on short term facilities for the year ended December 31, 2020 amounted to US\$452,127 (2021: Nil) and is recorded under "Interest expense" in the separate statement of profit or loss and other comprehensive income (Note 27).

During 2020, the Company fully settled the outstanding loans balance.

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	December 31,	
	2021	2020
	US\$	US\$
Provision for contingencies (a)	34,058,020	33,920,451
Accounts payable (b)	30,633,538	32,114,484
Accrued charges and other credit balances (c)	11,297,068	13,716,232
Provision for end-of-service indemnity and other charges (d)	9,665,536	9,737,566
Taxes payable (e)	474,762	3,305,471
Due to subsidiaries and related parties (f)	282,868	1,049,083
Accrued interest payable	-	573,890
	<u>86,411,792</u>	<u>94,417,177</u>

(a) The movement of provision for contingencies is as follows:

	2021	2020
	US\$	US\$
Balance at the beginning of the year	33,920,451	16,051,102
Reallocation	137,569	4,651,824
Transfer from additional tax assessment (Note 14(e.2))	-	4,535,979
Additions	-	16,180,380
Write-off upon BCD 2 Fund liquidation (Note 7)	-	(405,986)
Settlements	-	(7,092,848)
Balance at the end of the year	<u>34,058,020</u>	<u>33,920,451</u>

(b) Accounts payable as of December 31, 2021 and 2020 include balances in the aggregate amount of US\$13.8million due to the Lebanese Government in consideration of the exchange of assets agreement explained in Note 31 (f).

During 2021, the Company wrote-off accounts payable, accrued charges and other credit balances in the amount of US\$3,241,785 recorded under "Write-off of payables" in the separate statement of profit or loss and other comprehensive income (2020: Nil).

(c) Accrued charges and other credit balances consist of the following:

	December 31,	
	2021	2020
	US\$	US\$
Accruals for utilities costs	3,143,915	4,467,283
Deposits from tenants	1,575,208	2,604,466
Accruals for project costs	920,634	465,741
Other	5,657,311	6,178,742
	<u>11,297,068</u>	<u>13,716,232</u>

(d) The movement of provision for end-of-service indemnity and other charges is as follows:

	2021	2020
	US\$	US\$
Balance at the beginning of the year	9,737,566	8,824,961
Additions, net	101,241	1,135,433
Settlements	(173,271)	(222,828)
Balance at the end of the year	<u>9,665,536</u>	<u>9,737,566</u>

(e) Taxes payable consist of the following:

	December 31,	
	2021	2020
	US\$	US\$
Taxes withheld	474,578	673,067
Property tax payable	184	184
Accrued income tax (e.1)	-	2,632,220
	<u>474,762</u>	<u>3,305,471</u>

(e.1) Income tax

The applicable tax rate in Lebanon is 17% according to the Lebanese income tax law.

The accrued income tax for the years 2021 and 2020 was estimated as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$</u>	<u>US\$</u>
(Loss)/profit before tax	(19,708,643)	23,356,067
<u>Add: Non-deductible reconciling items</u>	15,327,050	54,840,968
<u>Deduct: Non- taxable reconciling items</u>	(11,246,273)	(62,713,388)
Taxable profit	(15,627,866)	15,483,647
Applicable tax rate	17%	17%
Income tax expense	-	2,632,220
Other taxes withheld	-	822
Deferred tax asset utilized (Note 8 (c))	1,827,500	-
Income tax expense	<u>1,827,500</u>	<u>2,633,042</u>
Income tax expense	1,827,500	2,633,042
<u>Less: Other taxes withheld</u>	-	(822)
<u>Less: Deferred tax asset utilized (Note 8 (c))</u>	(1,827,500)	-
Accrued income tax	<u>-</u>	<u>2,632,220</u>

(e.2) Additional Tax Assessment

	<u>2021</u>	<u>2020</u>
	<u>US\$</u>	<u>US\$</u>
Opening balance	-	4,535,979
Transfer to provision for contingencies (Note 14(a))	-	(4,535,979)
Settlements	-	-
Ending balance	<u>-</u>	<u>-</u>

The Company's accounts and income tax returns for the years up to 2015 were subject to review and tax assessment by the tax authorities over the years up to 2021. These reviews resulted in additional tax liabilities that the Company has setup provisions and accrued for as incurred.

The Company's accounts and income tax returns for the years 2016 until 2021 are still subject to examination and final assessment by the tax authorities.

The Company's Value Added Tax declarations for the years 2013 to 2017 and the first quarter of 2018 were subject to examination by the relevant tax authorities during 2018 and 2019. As a result of this examination, additional VAT liabilities were accrued for in the amount of US\$1.69million in 2019. The Company filed claims against the VAT authorities claiming refund in the amount of US\$2.24million. In 2019, the VAT authorities approved the tax claim. Furthermore during 2019, the Company benefitted from a tax amnesty on its 2008 VAT additional liability granted by the tax regulator to tax payers that meet the eligibility criteria.

As a result of the above, the Company settled additional taxes in the amount of US\$175thousand in 2020, in addition to penalties in the amount of US\$900 thousand in 2020.

The VAT declarations for the period from April 1, 2018 until 2021 are still subject to examination and final tax assessment by the VAT authority. Any additional tax liability is pending the results of this review.

(f) Due to subsidiaries and related parties include:

	December 31,	
	2021	2020
	US\$	US\$
Solidere Management Services S.A.L.	282,868	832,206
GroupMed Insurance and Reinsurance Company SAL	-	216,877
	<u>282,868</u>	<u>1,049,083</u>

15. DIVIDENDS PAYABLE

General Assembly Date	Dividend per Share	Declared	Settled/Distributed up to December 31, 2021	December 31,	
				2021	2020
				Payable	Payable
	US\$	US\$	US\$	US\$	US\$
June 29, 1996	0.2	30,918,413	29,494,415	1,423,998	1,425,899
June 30, 1997	0.25	40,367,172	37,749,710	2,617,462	2,620,302
June 29, 1998	0.25	39,351,753	36,205,196	3,146,557	3,149,632
June 23, 2003	Stock dividend	19,625,550	19,606,235	19,315	19,315
June 12, 2006	0.6	94,831,106	90,900,920	3,930,186	3,943,443
June 22, 2007	1	155,093,702	148,761,779	6,331,923	6,352,797
July 15, 2008	1	155,090,832	146,085,306	9,005,526	9,018,923
July 13, 2009	1.15	176,479,956	166,550,342	9,929,614	9,966,390
July 19, 2010	1.15	175,228,434	163,884,491	11,343,943	11,385,878
August 1, 2011	0.4	60,912,291	57,836,528	3,075,763	3,100,549
August 1, 2011	Stock dividend	85,987,850	85,987,850	-	-
July 30, 2012	0.25	39,316,239	36,368,212	2,948,027	2,971,098
July 30, 2012	Stock dividend	42,744,616	42,744,616	-	-
July 13, 2015	0.1	16,015,415	14,767,535	1,247,880	1,271,610
July 13, 2015	Stock dividend	36,859,995	36,859,995	-	-
June 27, 2016	0.1	16,302,491	13,572,795	2,729,696	2,767,522
June 27, 2016	Stock dividend	19,070,313	19,070,313	-	-
		<u>1,204,196,128</u>	<u>1,146,446,238</u>	<u>57,749,890</u>	<u>57,993,358</u>

The outstanding balance of unpaid dividends relates mostly to unclaimed dividends and dividends pertaining to undelivered class (A) shares.

16. DEFERRED REVENUES AND OTHER CREDIT BALANCES

	December 31,	
	2021	2020
	US\$	US\$
Cash down payments and commitments on sale contracts	62,812,287	65,396,772
Deferred rental revenue and related deposits	9,643,984	9,565,706
Unrealized gain on sale of properties to a joint venture (Note 11 (a))	-	10,750,000
	<u>72,456,271</u>	<u>85,712,478</u>

Deferred rental revenue and related deposits represent down payments on lease and rental agreements and reservation deposits for the rental of real estate properties.

17. TERM BANK LOANS

During 2020, the Company fully settled its loan balances prior to maturity.

Interest expense on term bank loans for the year 2020 amounted to US\$2,514,184 and is recorded under "Interest expense" in the separate statement of profit or loss and other comprehensive income (Note 27).

Discount from early settlement of term bank loans amounted to US\$8,782,014 during 2020 and is recorded in the separate statement of profit or loss and other comprehensive income.

18. CAPITAL

Capital as at December 31, 2021 and 2020 consists of 165,000,000 shares of US\$10 par value, authorized and fully paid and divided in accordance with Law 117/91 into the following:

- Class "A", amounting to 100,000,000 shares represented contribution in kind of properties in the BCD, based on the resolutions of the High Appraisal Committee. All Class A shares were deemed to have been issued and outstanding since the establishment of the Company.
- Class "B", amounting to 65,000,000 shares represented capital subscription in cash and are all issued and fully paid at the establishment of the Company.

Class "A" and Class "B" shares have the same rights and obligations.

In its Board of Directors Meeting held on December 2, 2020, the Board of Directors members discussed the proposed Share Buyback Program which offers to purchase up to 5% of the Company's total shares within one year at an estimated cost of US\$157million, assuming an average rate of US\$24 (US\$19 in 2020) per share. During 2021, the Company purchased 1.8million (1.9million in 2020) of its shares, for the aggregate amount of US\$44.2million (US\$29.8million in 2020).

19. LEGAL RESERVE

In conformity with the Company's articles of incorporation and the Lebanese Code of Commerce, 10% of the annual net income is required to be transferred to legal reserve until this reserve equals one third of capital. This reserve is not available for dividend distribution.

20. REVENUES FROM RENDERED SERVICES

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Broadband network revenues	<u>4,349,327</u>	<u>4,413,606</u>

21. DEPRECIATION OF AND CHARGES ON RENTED PROPERTIES

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Depreciation expense (Note 10)	14,147,780	13,578,497
Electricity, maintenance and other charges	13,545,735	5,850,285
Manpower	9,655,705	7,398,141
Taxes	390,719	675,331
Advertising	83,029	124,909
Charges from tenants	<u>313,559</u>	<u>785,696</u>
	<u>38,136,527</u>	<u>28,412,859</u>

Manpower includes reallocated salaries, benefits and related charges in the aggregate amount of US\$5,464,864 during the year ended December 31, 2021 (US\$4,649,911 during the year ended December 31, 2020) (Note 23).

22. COST OF RENDERED SERVICES

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Broadband network cost of services rendered	<u>4,425,112</u>	<u>4,453,328</u>

Broadband network cost of services rendered includes reallocated salaries, benefits and related charges in the aggregate amount of US\$1,108,576 during the year ended December 31, 2021 (US\$1,441,877 during the year ended December 31, 2020) (Note 23).

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended	
	December 31,	
	2021	2020
	US\$	US\$
Salaries, benefits and related charges	21,307,259	18,393,766
Utilities, office, maintenance and other similar expenses	4,059,753	2,619,770
Termination	3,552,929	468,574
Professional services	1,437,701	2,061,224
Donations and contributions	848,578	1,575,000
Taxes, fees and stamps	501,196	1,299,987
Promotion and advertising	165,877	103,470
Board of directors' remuneration	157,500	165,000
Travel and accommodation	39,248	51,796
Other expenses	321,935	207,855
	<u>32,391,976</u>	<u>26,946,442</u>

The Company reallocated salaries, benefits and related charges and administrative expenses amounting to US\$ 2,570,754 to construction cost during the year ended December 31, 2021 (US\$2,864,462 during the year ended December 31, 2020) (Note 9(a.5)).

The Company reallocated salaries, benefits and related charges amounting to US\$5,464,864 to charges on rented property during the year ended December 31, 2021 (US\$4,649,911 during the year ended December 31, 2020) (Note 21).

The Company reallocated salaries, benefits and related charges amounting to US\$1,108,576 to cost of rendered services during the year ended December 31, 2021 (US\$1,441,877 during the year ended December 31, 2020) (Note 22).

24. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS, NET

	Year Ended	
	December 31,	
	2021	2020
	US\$	US\$
Allowance for expected credit losses on BCD Cinemas and BWD receivable (Note 8 (b.1 and b.2))	282,050	2,199,721
Allowance for expected credit losses on bank balances (Note 5)	-	5,000,000
Allowance for impairment on notes and accounts receivable (Note 6 (d))	-	17,375,394
Allowance for expected credit losses on other debit balances (Note 8 (d))	-	4,370,391
	<u>282,050</u>	<u>28,945,506</u>

25. OTHER INCOME

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Recognition of unrealized gain on sale (Note 11 (a))	10,750,000	-
Gain on sale of property and equipment (Note 12)	63,689	22,134
Income from events and activities	30,400	15,707
Other	8,207	30,767
	<u>10,852,296</u>	<u>68,608</u>

26. INTEREST INCOME

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Interest income from previously doubtful notes and accounts receivable	885,443	61,979
Interest income from banks	17,850	23,783
Interest income from asset-backed securities (Note 7)	-	320,614
	<u>903,293</u>	<u>406,376</u>

27. INTEREST EXPENSE

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Bank commissions and charges	814,671	114,974
Interest expense on overdrafts (Note 13)	-	600,250
Interest expense on term bank loans (Note 17)	-	2,514,184
Interest expense on short term facilities (Note 13)	-	452,127
Interest expense allocated to infrastructure costs	-	(96,706)
Interest expense allocated to real estate development projects (Note 9 (b))	-	(106,815)
	<u>814,671</u>	<u>3,478,014</u>

28. NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Depreciation of investment properties (Note 10)	14,147,780	13,578,497
Depreciation of property and equipment (Note 12)	2,289,545	2,654,208
Depreciation charge for the year	<u>16,437,325</u>	<u>16,232,705</u>

(b) Interest costs consists of the following:

	Year Ended December 31,	
	2021	2020
	US\$	US\$
Interest charged as period cost (Note 27)	814,671	3,478,014
Interest costs allocated to inventory of land and projects in progress (Note 27)	-	203,521
Total interest costs	<u>814,671</u>	<u>3,681,535</u>

(c) Cash and cash equivalents comprise the following:

	December 31,	
	2021	2020
	US\$	US\$
Current accounts (Note 5)	81,402,568	117,037,526
Short term deposits (Note 5)	11,752,970	5,353,684
Cash on hand (Note 5)	1,632,438	1,285,959
Checks for collection (Note 5)	771,863	366,642
	<u>95,559,839</u>	<u>124,043,811</u>

(d) The below table details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes (2021: None).

	At January 1, 2020 US\$	Financing Cash Inflows/ (Outflows) US\$	Discount on early Settlements US\$	At December 31, 2020 US\$
Bank overdrafts and short-term facilities	48,958,855	(48,958,855)	-	-
Term bank loans (note 17)	<u>155,481,298</u>	<u>(146,699,257)</u>	<u>(8,782,041)</u>	<u>-</u>
	<u>204,440,153</u>	<u>(195,658,112)</u>	<u>(8,782,041)</u>	<u>-</u>

(e) During the year ended December 31, 2021, the following non-cash items were excluded from the operating and investing activities in the statement of cash flows:

- Decrease of US\$2,548,506 in "accounts and notes receivable, net" against a decrease in "accounts payable and other liabilities" by US\$137,568 and an increase in "Cash and bank balances" by US\$2,686,074.
- Increase of US\$29,250,000 in "Investment properties, net" against decrease in "Prepayments and other debit balances".
- Increase of US\$2,136,512 in "Investment in asset-backed securities" against a decrease in "Cash and bank balances".
- Increase of US\$3,238,950 in "Cash and bank balances" against a decrease in "accounts and notes receivable, net".

During 2020, the following non-cash transactions were excluded from the statement of cash flows:

- Increase of US\$21,500,000 million in "Investment properties, net" against a decrease in "accounts and notes receivable, net".
- Increase of US\$5,452,150 in "prepayments and other debit balances" against an increase in "accounts payable and other liabilities".
- Decrease of US\$1,654,824 in "accounts and notes receivable, net" against a decrease in "accounts payable and other liabilities".
- Increase of US\$465,741 in "inventory of land and projects in progress" against an increase in "accounts payable and other liabilities".
- Decrease of US\$8,782,041 in "term bank loans" against "Discount on early settlement of bank loans".
- Decrease of US\$405,986 in "investment in asset-backed securities" against a decrease in "Accounts payable and other liabilities".

29. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

The computation of (loss) earnings per share is based on net (loss) income for the year and the weighted average number of outstanding class (A) and (B) shares during each year net of treasury shares held by the Company.

The following table shows the income and share data used to calculate (loss) earnings per share:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$</u>	<u>US\$</u>
Net (loss) profit for the year	<u>(21,536,143)</u>	<u>20,723,025</u>
Weighted average number of shares	<u>161,223,833</u>	<u>163,084,895</u>
Basic and diluted (loss)/earnings per share	<u>(0.134)</u>	<u>0.127</u>

There were no transactions involving common shares or potential common shares between the reporting date and the date of the completion of these separate financial statements which would require the restatement of earnings per share.

30. RELATED PARTIES TRANSACTIONS

These represent transactions with related parties, i.e. significant shareholders, directors and senior management of the Company, and companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Cash and bank balances include US\$61,824,023 as of December 31, 2021 (US\$107,879,740 as of December 31, 2020) representing current accounts and short-term deposits with local banks who are significant but minority shareholders of the Company.

Included under "Interest expense" in the separate statement of profit or loss and other comprehensive income an amount of US\$420,284 for the year ended December 31, 2021 (US\$1,103,436 for the year ended December 31, 2020) representing bank commissions and charges, interest expense on short term facilities, overdrafts and term loans with a bank who is a significant but minority shareholder of the Company.

Included under "Other expense" in the separate statement of profit or loss and other comprehensive income an amount of US\$285,750 for the year ended December 31, 2021 representing other expense incurred on the loan granted to "Beirut Waterfront Development S.A.L." (BWD) (Note 8 (b.2)).

Included under "Interest income" in the separate statement of profit or loss and other comprehensive income an amount of US\$3,760 for the year ended December 31, 2021 (US\$9,419 for the year ended December 31, 2020) representing interest income on term deposits with banks who are significant but minority shareholders of the Company.

Included under "Discount from early settlement of bank loans" in the separate statement of profit or loss and other comprehensive income an amount of US\$2million for the year ended December 31, 2020 representing discounts from local banks who are significant but minority shareholder of the Company.

Certain directors of the Company are members of the boards of directors of banks and an insurance company with whom the Company has various activities.

Gross balances with subsidiaries, associates and joint ventures are disclosed in Notes 8, 11 and 14.

During 2021, Solidere Management Services S.A.L., a subsidiary, rendered services to the Company in the aggregate amount of US\$3,462,096 recorded under "Depreciation of and charges on rented properties" in the separate statement of profit or loss and other comprehensive income for the year ended December 31, 2021 (2020: US\$1,678,421).

Total benefits of executives and members of the Board of Directors (including salary, bonus, remuneration, termination indemnity and others), included within "General and administrative expenses", for the year ended December 31, 2021 amounted to US\$5,001,000 (US\$5,079,000 for the year ended December 31, 2020).

During 2020, the Company cancelled land sale contract with one of the members of the Board of Directors amounting to US\$4,062,500.

During 2021, the Company purchased treasury shares through a related party and paid an aggregate amount of US\$76,956 (US\$52,000 in 2020) as trading commission fees.

On September 20, 2021, the Annual Ordinary General Assembly of Solidere Management Services S.A.L., a subsidiary, resolved to distribute dividends in favor of the Company amounting to US\$80,528 for the year ended December 31, 2021 (2020: Nil).

On July 14, 2020, the Ordinary General Assembly of Solidere International Holding S.A.L., a fully owned subsidiary, resolved to distribute dividends in favor of the Company amounting to US\$2.6million for the year ended December 31, 2020 (2021: Nil).

Insurance expenses incurred with GroupMed Insurance and Reinsurance Company SAL, a related party, amounted to US\$1.4million for the year ended December 31, 2021 (2020: US\$1.6million).

Income arising and expenses incurred from the Company's transactions with other related parties, other than those disclosed in the financial statements, do not form a significant portion of the Company's operations.

31. COMMITMENTS AND CONTINGENCIES

- (a) An agreement between the Company and the Council for Development and Reconstruction ("CDR") was promulgated through Decree No. 5665 dated September 21, 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Company was granted 291,800 sqm of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Company of the sea landfill and infrastructure works.
- (b) The total projected cost for completion of the BCD project used by management as a basis for determination of cost of sales was estimated at US\$2.3billion.

- (c) Commitments for contracted works not executed as of December 31, 2021 amounted to approximately US\$12.5million (US\$13.9million as of December 31, 2020).
- (d) In prior periods, the Company submitted to the "CDR" claims aggregating to US\$13.6million representing mainly change orders to infrastructure works in the traditional BCD which were incurred by the Company on behalf of the Government. These claims were neither approved nor confirmed by the concerned party nor recorded as receivables in the accompanying financial statements.
- (e) The Company is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors. On the basis of advice received from the external legal counsel and the Company's technical department, the directors are of the opinion that any negative outcome thereof, if any, would not have a material adverse effect on the financial position of the Company.
- (f) On June 7, 1997, the Company signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Company acquired additional built-up area of approximately 58,000sqm and 556,340 Class A shares in exchange for approximately 15,000 sqm and the payment of US\$38.7million to restore governmental buildings. US\$25million have already been paid and accounted for and the balance of US\$13.8million continues to be included under accounts payable (Note 14 (b)). According to the terms of the agreement, the Company undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings belonging to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined as of date and has not been reflected in the accompanying financial statements.
- (g) In prior periods, the Company submitted to the Ministry of Culture and Higher Education claims totaling US\$17.7million representing compensation for delays that resulted from excavation works. These claims were not yet approved nor confirmed by the concerned authorities nor recorded as receivables in the accompanying financial statements.
- (h) For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Company signed in 2002 an agreement with the Armenian Orthodox prelacy to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900 sqm against ceding of owners' shares from both lots. Additionally, a built-up area of 5,335 sqm (US\$2,700,000) remains as a contingent loss to the Company in case the prelacy decides to build this area within the next 10 years following this agreement. During November 2010, an agreement was signed by both parties in which it was agreed that November 2010 would be the start date for the 10 years period as it represents the date of finalization of parcellation and massing of plots number 1137 and 1138 of Zokak Al Blat area subject to the said agreements. This was not completed as of the date of issuance of these financial statements.
- (i) The Company is defendant in a lawsuit raised by a Group of jewelers and the jewelers' syndicate. The Company appealed the court's decision in which the Company was required to register certain commercial shops in Beirut Souks. The case was deferred until April 4, 2016 and then deferred to June 13, 2016. A final binding judgment was rendered on July 4, 2019 by the Supreme Court against the Company confirming in substance the judgment rendered by Beirut Court of Appeal and thus ordering the Company to register the units in Beirut Souks in the name of the plaintiffs. In 2017, other separate lawsuits were filed in connection with the original lawsuit.

As the judgement by the Supreme Court supersedes the separate lawsuits that are still pending, management expects their outcome also to be against the Company. However, management does not expect any additional negative financial impact on the financial statements.

- (j) The Company has commitments and contingencies in the form of letters of guarantee in the amount of US\$2,247,508 as at December 31, 2021 (US\$2,318,844 as at December 31, 2020).
- (k) Following the resolution of the Company's shareholders during 1998 to amend the duration of the Company from 25 years to 75 years, the Council of Ministers issued decree No. 15909 limiting the extension of the Company's duration to 10 years, to become 35 years. During 2016, one of the property owners in the Beirut Central District, filed a claim before the Lebanese State *Shura* Council "مجلس شورى الدولة" against the State of Lebanon, to revoke and suspend the execution of the Council of Ministers decree No. 15909, and citing the Company as a third-party to the claim, which was rejected by the State *Shura* Council. During the same year, the plaintiff asked for a retrial.

On October 12, 2020, the designated Counselor "المستشار المقرر" of the State *Shura* Council, submitted a report setting forth her opinion and concluding that the request for a retrial is admissible, and which was concurred by the Assistant State Commissioner "المعاون" مفوض الحكومة on October 20, 2020. On March 16, 2021, the Lebanese State *Shura* Council "مجلس شورى الدولة", decided to cancel the above decision, and requested to re-examine the case.

On March 16, 2021, the report of the Counsellor appointed by the Council of cases من المستشار المقرر المعين "مجلس شورى الدولة" was issued, after the aforementioned opinion was referred to the Council of cases "مجلس شورى الدولة" in the State *Shura* Council, that came to a conclusion contradictory to the report issued on October 12, 2020, where it decided to accept the request for a retrial inform but rejected it in substance, which was supported by the Assistant State Commissioner in his reading on March 23, 2021. The Company submitted its comments on the latest decision and reading on May 26, 2021. The final outcome of the above cannot be presently determined.

- (l) As at December 31, 2021, the Company holds under custody, cash for a related party amounting to US\$240,000. These are not included as assets of the Company in the separate statement of financial position.

32. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

The capital structure of the Company consists of debt and equity. Debt consists of total liabilities less cash and bank balances. Equity comprises capital, reserves and accumulated losses less treasury shares.

The Company monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at December 31, 2021 and 2020 was as follows:

	<u>2021</u> <u>US\$</u>	<u>2020</u> <u>US\$</u>
Total liabilities	216,617,953	238,123,013
<u>Less: Cash and bank balances</u>	<u>(86,752,644)</u>	<u>(111,448,104)</u>
Net debt	<u>129,865,309</u>	<u>126,674,909</u>
Total equity	<u>1,639,588,620</u>	<u>1,705,362,931</u>
Gearing ratio	<u>0.08</u>	<u>0.07</u>

33. RISK MANAGEMENT

The Company's principal financial liabilities comprise deferred revenues and other credit balances, dividends payable and accounts payable and other liabilities. The Company has various financial assets such as accounts and notes receivable and cash and bank balances, which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

(a) Foreign Currency Risk:

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

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's monetary assets and liabilities are mostly denominated in U.S. Dollar and Lebanese Pound (LBP). The LBP official exchange rate against the US\$ 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 the Sayrafa platform and parallel markets with wide range of price variance between the U.S. Dollar official exchange rate and the market and Sayrafa exchange rate. Management is taking steps to address currency risk by matching sources and applications of funds, as applicable.

(b) Credit Risk:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risk is primarily attributable to its liquid funds, receivables and other debit balances.

Bank balances and cash deposits

The Company has liquid funds placed with Lebanese banks which are subject to de-facto capital control imposed by banks. As a result of the current financial and economic crisis in Lebanon disclosed in Note 1, credit rating agencies have downgraded the credit rating for Lebanon to default category with little recovery, which resulted in an increase in significant credit risk for the Company's exposure to Lebanese banks. Also, the Company seeks to reduce the credit risk with respect to foreign bank deposits by dealing with reputable foreign banks. Refer to Note 5.

Accounts and notes receivable

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company's credit risk exposure with respect to accounts and notes receivable is disclosed under Note 6.

The Company's maximum exposure to credit risk is the carrying amount as disclosed in Notes 5, 6, 7 and 8.

The Company's financial assets are mainly located in Lebanon.

(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 and the Sayrafa exchange rate since May 2021, management is considering options available to secure foreign currency inflows to settle any obligations in foreign currency.

As of December 31, 2020, the Company fully settled its bank facilities and borrowings amounting to US\$204 million.

Furthermore, as of December 31, 2021, and 2020, the Company's current liabilities exceeded its current assets. In order for the Company to meet its funding requirements and obligations, management setup a sales strategy and collection incentives to increase its liquidity. The Company's current liabilities are mostly from deferred income which is not expected to generate cash outflows.

The Company has subsequently signed two land sale contracts for a total of US\$5.4million which were partially collected, in addition to advances on land sales for a total of US\$60million.

The table below summarizes the maturity profile of the Company's liabilities as of December 31, based on contractual undiscounted liabilities:

	December 31, 2021				
	No Maturity	Less than 3 Months	3-12 Months	1 to 5 Years	Total
	US\$	US\$	US\$	US\$	US\$
Accounts payable and other liabilities	20,203,767	10,712,639	-	-	30,916,406
Dividends payable	57,749,890	-	-	-	57,749,890
Non-financial liabilities	127,951,657	-	-	-	127,951,657
	<u>205,905,314</u>	<u>10,712,639</u>	<u>-</u>	<u>-</u>	<u>216,617,953</u>

	December 31, 2020				
	No Maturity	Less than 3 Months	3-12 Months	1 to 5 Years	Total
	US\$	US\$	US\$	US\$	US\$
Accounts payable and other liabilities	23,567,468	10,169,989	-	-	33,737,457
Dividends payable	57,993,358	-	-	-	57,993,358
Non-financial liabilities	146,392,198	-	-	-	146,392,198
	<u>227,953,024</u>	<u>10,169,989</u>	<u>-</u>	<u>-</u>	<u>238,123,013</u>

34. OPERATING SEGMENTS

For management purposes, the Company is organized into business units according to their operations and has two reportable segments as follows:

- Real estate sales
- Real estate rental and rendered services

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit or loss in the financial statements.

	December 31, 2021		
	Real Estate Sales	Real Estate Rental and Rendered Services	Total
	US\$	US\$	US\$
Total assets	1,246,255,377	609,951,196	1,856,206,573
Total liabilities	145,437,093	71,180,860	216,617,953

	December 31, 2020		
	Real Estate Sales	Real Estate Rental and Rendered Services	Total
	US\$	US\$	US\$
Total assets	1,380,310,707	563,175,237	1,943,485,944
Total liabilities	169,120,721	69,002,292	238,123,013

	2021			
	Real Estate Sales	Real Estate Rental and Rendered Services	Unallocated	Total
	US\$	US\$	US\$	US\$
Revenues	85,209,200	25,625,770	-	110,834,970
Cost of revenues	(41,247,703)	(42,561,639)	-	(83,809,342)
Gain on sale of investment properties	-	441,764	-	441,764
Net revenues from operations	43,961,497	(16,494,105)	-	27,467,392
General and administrative expenses	(29,152,778)	(3,239,198)	-	(32,391,976)
Selling expenses	(963,139)	-	-	(963,139)
Depreciation of fixed assets	(2,060,590)	(228,955)	-	(2,289,545)
Provision for impairment	-	(282,050)	-	(282,050)
Loss from rescheduled receivables	(119,898)	-	-	(119,898)
Write-off of receivables	-	(1,670,054)	-	(1,670,054)
Write-off of payables	3,241,785	-	-	3,241,785
Other expense	(581,279)	-	-	(581,279)
Other income	10,750,000	102,296	-	10,852,296
Interest income	903,293	-	-	903,293
Interest expense	(814,671)	-	-	(814,671)
Dividend income	80,528	-	-	80,528
Loss on exchange	(23,141,325)	-	-	(23,141,325)
Profit/(loss) before tax	2,103,423	(21,812,066)	-	(19,708,643)
Income tax expense	(1,827,500)	-	-	(1,827,500)
Profit/(loss) for the year	275,923	(21,812,066)	-	(21,536,143)

2020

	Real Estate Sales	Real Estate Rental and Rendered Services	Unallocated	Total
	US\$	US\$	US\$	US\$
Revenues	381,947,100	27,224,464	-	409,171,564
Cost of revenues	(238,724,963)	(32,866,187)	-	(271,591,150)
Gain on sale of investment properties	-	4,694,767	-	4,694,767
Net revenues from operations	143,222,137	(946,956)	-	142,275,181
General and administrative expenses	(24,251,798)	(2,694,644)	-	(26,946,442)
Selling expenses	(4,342,118)	-	-	(4,342,118)
Depreciation of fixed assets	(2,388,787)	(265,421)	-	(2,654,208)
Provision for impairment	(15,976,000)	(12,969,506)	-	(28,945,506)
Loss from rescheduled receivables	(167,760)	-	-	(167,760)
Write-off of receivables	-	(2,186,841)	-	(2,186,841)
Provision for contingencies	(37,913,299)	-	-	(37,913,299)
Other expense	(2,120,312)	-	-	(2,120,312)
Other income	-	68,608	-	68,608
Discounts earned on early settlements	8,782,041	-	-	8,782,041
Interest income	406,376	-	-	406,376
Interest expense	(3,478,014)	-	-	(3,478,014)
Dividend income	2,623,200	-	-	2,623,200
Loss on exchange	(22,044,839)	-	-	(22,044,839)
Profit/(loss) before tax	42,350,827	(18,994,760)	-	23,356,067
Income tax expense	(2,633,042)	-	-	(2,633,042)
Profit/(loss) for the year	39,717,785	(18,994,760)	-	20,723,025

35. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

	December 31,	
	2021	2020
	US\$	US\$
ASSETS		
Current Assets		
Cash and banks balances	86,752,644	111,448,104
Accounts and notes receivables, net - Current portion	12,692,689	54,543,047
Prepayments and other debit balances - Current portion	15,781,464	11,102,646
Investment in assets-backed securities - Current portion	-	8,439,009
Total Current Assets	115,226,797	185,532,806
Non-Current Assets		
Prepayments and other debit balances - Non-current portion	-	31,363,250
Inventory of land and projects in progress	853,174,590	887,106,447
Investment properties, net	609,591,676	561,938,048
Investment in joint ventures, subsidiaries and associates	235,250,104	235,159,104
Fixed assets, net	42,963,406	42,386,289
Total Non-Current Assets	1,740,979,776	1,757,953,138
TOTAL ASSETS	1,856,206,573	1,943,485,944
LIABILITIES		
Current Liabilities		
Accounts payable and other liabilities - Current portion	44,580,589	52,636,910
Dividends payable	57,749,890	57,993,358
Deferred revenue and other credit balances - Current portion	72,456,271	74,962,478
Total Current Liabilities	174,786,750	185,592,746
Non-Current Liabilities		
Accounts payable and other liabilities - Non-current portion	41,831,203	41,780,267
Deferred revenue and other credit balances - Non-current portion	-	10,750,000
Total Non-Current Liabilities	41,831,203	52,530,267
TOTAL LIABILITIES	216,617,953	238,123,013
EQUITY		
Issued capital at par value US\$10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	1,650,000,000	1,650,000,000
Legal reserve	169,554,373	169,554,373
Accumulated losses	(105,937,797)	(84,401,654)
Less: Treasury shares	(74,027,956)	(29,789,788)
Total Equity	1,639,588,620	1,705,362,931
TOTAL LIABILITIES AND EQUITY	1,856,206,573	1,943,485,944

36. FAIR VALUE MEASUREMENT

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 3.

The summary of the Company's classification of each class of assets and liabilities and their fair values are as follows:

		December 31, 2021				
Notes	Carrying Amount US\$	Fair Value			Total US\$	
		Level 1 US\$	Level 2 US\$	Level 3 US\$		
Financial Assets measured at:						
<i>Amortized cost</i>						
Cash and bank balances	5	95,559,839	44,326,308	51,233,531	-	95,559,839
Other debit balances	8	8,101,442	-	-	8,101,442	8,101,442
Accounts and notes receivable	6	12,692,689	-	-	12,692,689	12,692,689
		<u>116,353,970</u>	<u>44,326,308</u>	<u>51,233,531</u>	<u>20,794,131</u>	<u>116,353,970</u>
Financial Liabilities measured at:						
<i>Amortized cost</i>						
Accounts payable and other liabilities	14	30,916,406	-	-	30,916,406	30,916,406
Dividends payable	15	57,749,890	-	-	57,749,890	57,749,890
		<u>88,666,296</u>	<u>-</u>	<u>-</u>	<u>88,666,296</u>	<u>88,666,296</u>
Non-financial Asset not measured:						
Investment properties	10	609,591,676	-	2,036,808,000	-	2,036,808,000
		<u>609,591,676</u>	<u>-</u>	<u>2,036,808,000</u>	<u>-</u>	<u>2,036,808,000</u>
		December 31, 2020				
Notes	Carrying Amount US\$	Fair Value			Total US\$	
		Level 1 US\$	Level 2 US\$	Level 3 US\$		
Financial Assets measured at:						
<i>Amortized cost</i>						
Cash and bank balances	5	124,043,811	15,863,637	108,180,174	-	124,043,811
Other debit balances	8	33,737,120	-	-	33,737,120	33,737,120
Accounts and notes receivable	6	42,263,999	-	-	42,263,999	42,263,999
Investment in asset-backed securities (includes reserve accounts and deferred charges)	6&7	20,718,057	-	20,718,057	-	20,718,057
		<u>220,762,987</u>	<u>15,863,637</u>	<u>128,898,231</u>	<u>76,001,119</u>	<u>220,762,987</u>
Financial Liabilities measured at:						
<i>Amortized cost</i>						
Accounts payable and other liabilities	14	33,737,457	-	-	33,737,457	33,737,457
Dividends payable	15	57,993,358	-	-	57,993,358	57,993,358
		<u>91,730,815</u>	<u>-</u>	<u>-</u>	<u>91,730,815</u>	<u>91,730,815</u>
Non-financial Asset not measured:						
Investment properties	10	561,938,048	-	2,807,238,963	-	2,807,238,963
		<u>561,938,048</u>	<u>-</u>	<u>2,807,238,963</u>	<u>-</u>	<u>2,807,238,963</u>

The fair value of financial assets and financial liabilities was determined using the discounted cash flow method based on a discount rate equivalent to the market interest rate.

The fair value of the investment properties was estimated based on a valuation by an independent expert based on a market capital approach estimated by management.

There have been no transfers between Level 1, Level 2 and Level 3 during the year.

37. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements for the year ended December 31, 2021 on August 8, 2022.