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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT YEAR ENDED DECEMBER 31, 2020

THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2020

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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 consolidated financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (the "Company") and its subsidiaries (collectively referred to the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the financial position of the Group as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Adverse Opinion

(a) As explained in note 3, the Group's functional currency is the Lebanese Pound which is the currency of a hyperinflationary economy and the Group has not applied the requirements of IAS 29 'Financial Reporting in Hyperinflationary Economies' in the preparation of the consolidated financial statements for the year ended December 31, 2020 before translating them to the presentation currency. Had the Group applied the requirements of IAS 29, many of the elements of the accompanying consolidated financial statements, would have been materially different, and disclosures would have been materially affected. The effects on the consolidated financial statements of this departure have not been determined.

(b) Loss on exchange is reported in the consolidated statement of profit or loss and other comprehensive income at US$22 million from the sourcing of offshore liquidity of 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.

(c) Cash and bank balances, which are carried in the consolidated statement of financial position at US$116 million, include balances deposited with banks in Lebanon which are carried at US$99.5 million and are stated net of an allowance for expected credit losses of 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 consolidated financial statements. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

(d) The Group's investment in Beirut Waterfront Development S.A.L ("BWD"), a joint venture accounted for by the equity method, is carried at negative US$15 million in the consolidated statement of financial position at December 31, 2020 and the Group's share of losses of US$2.4 million is included in the Group's loss for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in BWD as at December 31, 2020 and the Group's share of losses for the year then ended 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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

Emphasis of Matter

We draw attention to note 3 of the consolidated financial statements which describes that the Company's reporting currency is the US Dollar being the currency of the Company's capital in accordance with Decree No. 2537 which is different from its functional currency (Lebanese Pound). The Group's assets and liabilities denominated in foreign currencies are translated to the Lebanese Pound in accordance with the accounting policy on foreign currency transactions at the official exchange rate prevailing at the end of the reporting period. In addition, the Group's financial statements are translated from the functional currency to the presentation currency in accordance with the same accounting policy. The actual realization of the amounts presented in the accompanying consolidated financial statements could be materially different. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report other than the consolidated financial statements and our auditor's report thereon. The Group's Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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

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

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

Beirut, Lebanon July 26, 2021	Deloitte & Touche Deloitte & Touche	Ernst & Young

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

ASSETS	Notes	December 31, 2020 US$	2019 US$
Cash and bank balances	6	115,628,975	20,445,725
Accounts and notes receivable, net	7	55,296,118	129,936,268
Investment is asset-backed securities	8	8,439,009	8,699,707
Prepayments and other debit balances	9	42,432,629	18,680,609
Inventory of land and projects in progress	10	887,060,645	1,110,548,888
Investment properties, net	11	561,938,048	565,177,583
Investment in associates and joint ventures	12	327,559,539	351,151,080
Property and equipment, net	13	42,405,014	45,076,310
Total Assets		2,040,759,977	2,249,716,170
LIABILITIES			
Bank overdrafts and short-term facilities	14	-	48,958,855
Accounts payable and other liabilities	15	99,520,240	109,424,861
Dividends payable	16	57,993,358	59,014,963
Deferred revenues and other credit balances	17	85,712,478	44,563,992
Term bank loans	18	-	155,481,298
Total liabilities		243,226,076	417,443,969
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
Capital	19	1,650,000,000	1,650,000,000
Legal reserve	20	170,795,314	170,475,527
Retained earnings		6,555,898	11,840,097
Cumulative foreign currency translation reserve		(27,523)	(28,423)
Less: Treasury shares	19	(29,789,788)	(15,000)
Total equity		1,797,533,901	1,832,272,201
Total Liabilities and Equity		2,040,759,977	2,249,716,170

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended December 31, 2020 US$	2019 US$
Revenues from land sales		381,947,100	234,450,600
Revenues from rented properties		22,810,858	53,215,936
Revenues from rendered services	21	7,443,302	7,724,006
Revenues from hospitality		-	13,709
Total revenues		412,201,260	295,404,251
Cost of land sales	10	(214,422,610)	(126,493,314)
Depreciation of and charges on rented properties	22	(26,734,438)	(20,201,015)
Cost of rendered services	23	(8,632,524)	(6,154,512)
Cost of hospitality		-	(6,866)
Loss on cancellation of previously recognized sales, net		(24,302,353)	-
Total cost of revenues		(274,091,925)	(152,855,707)
Gain on sale and disposal of investment properties, net	11	4,694,767	3,803,963
Net revenues from operations		142,804,102	146,352,507
Share results of associates and joint ventures	12	(34,461,408)	(14,585,364)
General and administrative expenses	24	(26,782,864)	(24,242,590)
Selling expenses		(4,342,118)	-
Depreciation of property and equipment		(2,658,304)	(2,383,491)
Provision for impairment, net	29	(29,189,554)	(18,274,755)
Loss on rescheduled receivables		(167,760)	(2,872,237)
Write-off of receivables	7	(2,186,841)	(606,254)
Provision for contingencies	10(b), 15(e)	(37,913,299)	(1,235,000)
Write-back on impairment of property and equipment	13	-	7,885
Other expense		(2,120,686)	(1,043,359)
Other income	26	146,402	3,001,472
Discount from early settlement of bank loans	18	8,782,041	7,425,000
Interest income	25	413,973	1,492,361
Interest expense	27	(3,491,541)	(27,403,585)
Loss on exchange, net	1	(22,036,685)	(11,774)
(Loss)/profit before tax		(13,204,542)	65,620,816
Income tax expense	15(c)	(2,705,416)	(16,653,061)
(Loss)/profit for the year		(15,909,958)	48,967,755
Basic/diluted (loss)/earnings per share	28	(0.01)	0.03
Attributable to:			
Equity owners of the group		(15,909,958)	48,967,755
(Loss)/profit for the year		(15,909,958)	48,967,755

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART
OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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

	Year Ended December 31,	
	2020	2019
	US$	US$
(Loss)/profit for the year	(15,909,958)	48,967,755
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	900	(3,770)
Other comprehensive income/(loss) for the year	900	(3,770)
Items that will not be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	10,945,546	-
Other comprehensive income for the year	10,945,546	-
Total comprehensive (loss)/profit	(4,963,512)	48,963,985
Attributable to:		
Equity owners of the Group	(4,963,512)	48,963,985
	(4,963,512)	48,963,985

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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

	Share Capital US$	Legal Reserve US$	Retained Earnings/ (Accumulated Losses) US$	Cumulative Foreign Currency Translation Reserve US$	Treasury Shares US$	Total US$
Balance as at January 1, 2019	1,650,000,000	170,474,545	(37,126,676)	(24,653)	-	1,783,323,216
Allocation to legal reserve from 2018 profit	-	982	(982)	-	-	-
Total comprehensive income for year 2019	-	-	48,967,755	(3,770)	-	48,963,985
Treasury shares purchase	-	-	-	-	(15,000)	(15,000)
Balance as at December 31, 2019	1,650,000,000	170,475,527	11,840,097	(28,423)	(15,000)	1,832,272,201
Allocation to legal reserve from 2019 profit	-	319,787	(319,787)	-	-	-
Total comprehensive loss for the year 2020	-	-	(4,964,412)	900	-	(4,963,512)
Treasury shares purchase	-	-	-	-	(29,774,788)	(29,774,788)
Balance at December 31, 2020	1,650,000,000	170,795,314	6,555,898	(27,523)	(29,789,788)	1,797,533,901

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	Year Ended December 31, 2020 US$	Year Ended December 31, 2019 US$
Cash flows from operating activities			
(Loss)/profit for the year before tax		(13,204,542)	65,620,816
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	30(a)	16,236,801	16,178,685
Gain on sale and disposal of investment properties, net	11	(4,694,767)	(3,803,963)
Gain on sale of property and equipment	26	(22,134)	(2,793,311)
Provision for end-of-service indemnity and other charges, net	15(d)	1,183,306	484,960
Provision for contingencies	10(b), 15(e)	37,913,299	1,235,000
Write-back on impairment of property and equipment		-	(7,885)
Provision for impairment, net	29	29,189,554	18,274,755
Write-off of real estate development projects cost	10(b)	33,080,640	15,674,130
Write-off of receivables	7	2,186,841	606,254
Loss on rescheduled receivables		167,760	2,872,237
Discounts earned on early settlements	17	(8,782,041)	(7,425,000)
Share results of associates and joint ventures	12	34,461,408	14,585,364
Interest income	25	(413,973)	(1,492,361)
Interest expense	30(b)	3,695,062	28,718,196
Changes in working capital:			
Accounts and notes receivable, net	30(d)	31,401,220	2,605,461
Prepayments and other debit balances	30(d)	(30,176,527)	25,640,224
Inventory of land and projects in progress	30(d)	176,939,391	81,144,254
Accounts payable and other liabilities	30(d)	(2,887,065)	(8,914,650)
Deferred revenues and other credit balances		41,148,486	13,911,525
Cash generated from operations		347,422,719	263,114,691
Settlements of end-of-service indemnity and other charges	15(d)	(222,828)	(1,665,735)
Settlements from provision for contingencies	15(e)	(735,000)	(5,134,273)
Taxes paid		(23,334,802)	(4,448,838)
Net cash generated from operating activities		323,130,089	251,865,845
Cash flows from investing activities:			
Investment in asset-backed securities	30(d)	(145,288)	6,399,670
Acquisition of property and equipment	13	(386,503)	(478,209)
Acquisition of investment properties	11	(10,459,762)	(3,468,127)
Proceeds from disposal of investment properties	11	18,916,096	12,760,574
Proceeds from sale of property and equipment	13	22,134	4,347,070
Investments in associates and joint ventures	30(c)	75,678	29,237,232
Interest received		413,973	1,492,361
Net cash provided by investing activities		8,436,328	50,290,571
Cash flows from financing activities:			
Term bank loans	30 (d,f)	(146,699,257)	(206,116,233)
Dividends paid		(1,021,605)	(498,224)
Interest paid		(4,928,662)	(21,331,241)
Short term Bank facilities		(30,000,000)	(32,913,554)
Treasury shares purchase		(29,774,788)	(15,000)
Net cash used in financing activities		(212,424,312)	(260,874,252)
Net change in cash and cash equivalents		119,142,105	41,282,164
Cash and cash equivalents--Beginning of the year	30(e)	9,323,559	(31,958,605)
Cash and cash equivalents--End of the year	30(e)	128,465,664	9,323,559

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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 Limited (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 Group'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 USD/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 the following measures:

(a) Subsidised imports of essential goods (fuel oil, medicine and wheat) by providing foreign currencies for these imports at the rate of 1,507.5 USD/LBP (the official exchange rate).

(b) Introduced the Platform Rate, currently at 3,900 USD/LBP, to be used only in specific circumstances.

(c) Subsidised imports of Tier 2 food basket products (e.g. coffee, tea, canned food, imported meat) by providing foreign currencies for these imports at the Platform Rate.

(d) Introduced exceptional measures for bank depositors to withdraw small amounts of cash in LBP from their "local" foreign currency bank accounts at the Platform Rate, but up to limits set by the Bank.

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.

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

On April 30, 2020, the Council of Ministers approved the Lebanese government's Financial Recovery Plan (the Plan). The Plan relies on nine central and interrelated pillars, namely reviewing the peg policy; a comprehensive government debt restructuring; a comprehensive restructuring of the financial system addressing accumulated FX mismatches, embedded losses and resizing the banking sector (see below); a strong phased fiscal adjustment focused on improving tax compliance, streamlining expenditure and reforming the public sector; growth-enhancing reforms promoting a productive economy and enhancing the competitiveness of the Lebanese economy; a social sector reform; ambitious anti-corruption strategy; environmental reform; and international financial assistance to close the large external financing gap and finance the development of the infrastructures that are necessary to support the growth of the economy. On August 10, 2020, the Lebanese government resigned following the massive explosion at the Beirut Port. As of today, the Plan has not been implemented.

The Group's Financial particulars

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

Beirut Port Explosion

On August 4, 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, leading to further Expected Credit Losses charges. 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.

Coronavirus (COVID-19) outbreak and its impact on the Group

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 Group, 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 Group continues to monitor the situation closely. Any and all such events mentioned above will add up to the already material adverse prospects on the Group'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 that are effective for the current year

The Group has applied the following amendments to IFRS which became effective for annual periods beginning on or after January 1, 2020:

- *Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions*
  In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The amendments provide relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

- *IBOR Transition (Interest Rate Benchmark Reform)*
  In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (IBOR reform Phase 1). IBOR reform Phase 1 provides a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. Such reliefs permit to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied.

- *Annual Improvements to IFRS Standards 2018–2020 Cycle amending IFRS 1, IFRS 9, IFRS 16, and IAS 41.*

- *Amendments to References to the Conceptual Framework in IFRS Standards*
  The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

- *Amendments to IFRS 3 Definition of a business*
  The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Portfolio of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

- *Amendments to IAS 1 and IAS 8 Definition of 'material'*
  The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The application of the above amendments to IFRS did not have a material impact on the Group's accounting policies, financial position or performance.

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

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- *Interest Rate Benchmark Reform — Phase 2 Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39.*
  In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a risk-free rate ("RFR").
  IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to RFR. As a practical expedient, changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.
  Effective for annual periods beginning on or after 2021.

- *IFRS 3 — Reference to the Conceptual Framework*
  Amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
  Effective for annual periods beginning on or after 2022.

- *IFRS 9 — Financial Instruments*
  Amendments resulting from annual improvements to IFRS standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities).
  Effective for annual periods beginning on or after 2022.

- *IAS 16 — Property, Plant and Equipment*
  Amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
  Effective for annual periods beginning on or after 2022.

- *IAS 37 — Provisions, Contingent Liabilities and Contingent Assets*
  Amendments specify that the 'cost of fulfilling' a contract comprises the 'cost that relate directly to the contract'.
  Effective for annual periods beginning on or after 2022.

- *Amendments to IAS 1 Presentation of Financial Statements*
  Amendments regarding the classification of liabilities as Current or Non-current.
  Effective for annual periods beginning on or after 2023.

- IFRS 17 *Insurance Contracts*
  IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2023.
  Effective for annual periods beginning on or after 2023.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
  Effective date deferred indefinitely. Adoption is still permitted.

The directors anticipate that these new standards, interpretations, and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendment, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Statement of Compliance:

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

The consolidated 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 Group's reporting currency. The Group's functional currency is the Lebanese Pound.

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

The consolidated financial statements incorporate the financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its controlled subsidiaries drawn up to December 31 of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Group entities comprise the following:

Company	Ownership Share %		Date of Establishment	Activity
	2020	2019		
Solidere Management Services S.A.L.	100	100	June 2006	Real Estate Management
Solidere Management Services (Offshore) S.A.L.	100	100	March 2007	Real Estate Management-Dormant
Solidere International Holdings S.A.L.	100	100	May 2007	Holding
BHC Holding S.A.L.	100	100	March 2010	Holding
BHC1 S.A.L.	-	100	April 28, 2010	Hospitality - Liquidated
BHC2 S.A.L.	-	100	April 28, 2010	Hospitality - Liquidated
BHC3 S.A.L.	-	100	May 28, 2010	Hospitality - Liquidated
BHC4 S.A.L.	-	100	April 28, 2010	Hospitality - Liquidated
BHC5 S.A.L.	-	100	April 28, 2010	Hospitality - Liquidated
BHC6 S.A.L.	-	100	April 28, 2010	Hospitality - Liquidated
BHC7 S.A.L.	-	100	July 3, 2010	Hospitality - Liquidated
BHC9 S.A.L.	-	100	June 28, 2010	Hospitality - Liquidated
MATS S.A.L.	-	100	June 22, 2010	Hospitality - Liquidated

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

In view of the long term nature and particulars of the Group's operations, the consolidated financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Group and which are subject to market conditions and other factors commonly associated with real estate development projects; as such, the consolidated statement of financial position is shown as unclassified without distinction between current and long-term components. However, current and non-current classification of assets and liabilities is disclosed under Note 35.

Hyperinflation in Lebanon

As of December 31, 2020, all conditions have been met for the Group's consolidated financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that 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 national statistics office reported 3-year and 12-month cumulative rates of inflation of 173% and 146%, respectively, as of December 2020. 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 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 summarized below:

(a) Consolidated 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 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 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 stated under IAS 21, when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

As of the date of the accompanying consolidated 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 consolidated financial statements. However Management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Group in the accompanying consolidated financial statements including its statement of financial position, income statement, statement of comprehensive income and cash flow statement.

The Group uses the official exchange rate of 1,507.5 USD/LBP to translate balance 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" of approximately 3,900 USD/LBP, the Lebanese market has witnessed multiple pricing and valuations of balances receivable and payable and operations in foreign currencies, depending on the settlement method which is based on unofficial markets. Accordingly, since there is no official exchange or payment mechanism for transactions and balances denominated in foreign currencies, the Group 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 consolidated 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 behaviour 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 consolidated financial statements to Management, shareholders and other users.

The Group is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Group to develop new accounting software and processes, internal controls and governance framework. Based on the Group'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 Group has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Group 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 Group 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 consolidated 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 a Group's functional currency is the currency of a hyperinflationary economy, the Group shall restate its consolidated 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 consolidated 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 consolidated 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 Group'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 Group has applied the practical expedient, the Group 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 Group'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 Group commits to purchase or sell the asset.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group 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 Group 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 Group 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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 Group 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 Group'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 Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group 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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group'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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group'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 Group, 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 consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

D. <u>Inventory of Land and Projects in Progress:</u>

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 (M).

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

E. <u>Investment Properties:</u>

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 consolidated 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 Associates and Joint ventures:

An associate is an entity over which the Group 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.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of results of associates and joint ventures' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

G. <u>Property and equipment:</u>

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 consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

H. <u>Impairment of Tangible Assets:</u>

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 consolidated statement of profit or loss and other comprehensive income.

I. <u>Treasury Shares:</u>

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 Group'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.

J. <u>Revenue Recognition:</u>

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 Group 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 Group's receivable is not subject to future subordination; and
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and the Group 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 Group 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 Group expects to be entitled in exchange for those services.

K. <u>Cost of Land Sales:</u>

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.

L. <u>Cash and Cash Equivalents:</u>

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.

M. <u>Borrowing Costs:</u>

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 consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

N. 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.

O. 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 consolidated 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.

P. 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 consolidated 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 Group's liability for current tax is calculated using tax rates enacted at the balance sheet date. Provision for income tax is reflected in the consolidated 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 consolidated 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 consolidated 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.

Q. Provisions:

Provisions are recognized when the Group 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.

R. Employees' End-of-Service Indemnities:

The Group 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.

S. Earnings per Share:

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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 Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

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 Group. 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 Group 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 consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group 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 Group is the determination of the aggregate cost of the Beirut Central District Project and the fair value of the investment properties.

Going Concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Impairment of Accounts and Notes Receivable and Investment in Assets-Backed Securities

The Group uses a provision matrix to calculate ECLs for account and notes receivable and assets-backed securities. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of Investment in Joint Ventures and Associates

The Group assesses at each reporting date whether there is indication that an investment may be impaired. If any indication exists the Group 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 consolidated 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 Group, based on comparable transactions identified by the Group 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. OPERATING SEGMENTS

For management purposes, the Group 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 consolidated financial statements.

	December 31, 2020			
	Real Estate Sales	Real Estate Rental and Rendered Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	1,580,716,510	563,421,770	(103,378,303)	2,040,759,977
Total liabilities	175,080,891	69,190,905	(1,045,720)	243,226,076

	December 31, 2020				
	Real Estate Sales	Real Estate Rental and Rendered Services	Unallocated	Eliminations	Total
	US$	US$	US$	US$	US$
Revenues	381,947,100	32,185,124	-	(1,930,964)	412,201,260
Cost of revenues	(238,724,963)	(37,045,383)	-	1,678,421	(274,091,925)
Gain on sale and disposal of investment properties	-	4,694,767	-	-	4,694,767
Net revenues from operations	143,222,137	(165,492)	-	(252,543)	142,804,102
Share results of associates and joint ventures	-	(34,461,408)	-	-	(34,461,408)
General and administrative expenses	(24,251,798)	(2,746,998)	-	215,932	(26,782,864)
Selling expenses	(4,342,118)	-	-	-	(4,342,118)
Depreciation of fixed assets	(2,388,787)	(669,517)	-	400,000	(2,658,304)
Write-off of receivables	-	(2,186,841)	-	-	(2,186,841)
Loss from rescheduled receivables	(167,760)	-	-	-	(167,760)
Provision for Impairment, net	(15,976,000)	(13,332,167)	-	118,613	(29,189,554)
Provision for Contingencies	(37,913,299)	-	-	-	(37,913,299)
Other expense	(2,120,312)	-	-	(374)	(2,120,686)
Other income	-	68,608	-	77,794	146,402
Dividends income	2,623,200	-	-	(2,623,200)	-
Discount earned on early settlement	8,782,041	-	-	-	8,782,041
Interest income	406,376	7,597	-	-	413,973
Interest expense	(3,478,014)	(13,900)	-	373	(3,491,541)
Loss on exchange	(22,044,838)	8,153	-	-	(22,036,685)
Loss before tax	42,350,828	(53,491,965)	-	(2,063,405)	(13,204,542)
Income tax expense	(2,633,058)	(72,358)	-	-	(2,705,416)
Loss for the year	39,717,770	(53,564,323)	-	(2,063,405)	(15,909,958)

	December 31, 2019			
	Real Estate Sales	Real Estate Rental and Rendered Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	1,735,127,240	599,796,681	(85,207,751)	2,249,716,170
Total liabilities	304,280,725	120,111,465	(6,948,221)	417,443,969

	December 31, 2019				
	Real Estate Sales	Real Estate Rental and Rendered Services	Unallocated	Eliminations	Total
	US$	US$	US$	US$	US$
Revenues	234,450,600	63,363,651	-	(2,410,000)	295,404,251
Cost of revenues	(126,493,314)	(28,301,091)	-	1,938,698	(152,855,707)
Gain on sale and disposal of investment properties	-	3,803,963	-	-	3,803,963
Net revenues from operations	107,957,286	38,866,523	-	(471,302)	146,352,507
Share results of associates and joint ventures	-	(14,585,364)	-	-	(14,585,364)
General and administrative expenses	(20,444,151)	(4,247,539)	-	449,100	(24,242,590)
Depreciation of fixed assets	(2,132,254)	(651,237)	-	400,000	(2,383,491)
Write-off of receivables	-	(606,254)	-	-	(606,254)
Loss from rescheduled receivables	(2,872,237)	-	-	-	(2,872,237)
Provision for Impairment, net	(3,730,675)	(7,044,080)	(7,500,000)	-	(18,274,755)
Provision for Contingencies	(1,235,000)	-	-	-	(1,235,000)
Write-back on impairment of fixed assets	-	7,885	-	-	7,885
Other expense	(472,344)	(571,015)	-	-	(1,043,359)
Other income	-	3,001,472	-	-	3,001,472
Discount from early settlement of bank loans	7,425,000	-	-	-	7,425,000
Interest income	1,423,444	68,917	-	-	1,492,361
Interest expense	(27,335,003)	(68,582)	-	-	(27,403,585)
Loss on exchange	(19,681)	7,907	-	-	(11,774)
Profit before tax	58,564,385	14,178,633	(7,500,000)	377,798	65,620,816
Income tax expense	(16,570,374)	(82,687)	-	-	(16,653,061)
Profit for the year	41,994,011	14,095,946	(7,500,000)	377,798	48,967,755

6. CASH AND BANKS BALANCES

	December 31,	
	2020	2019
	US$	US$
Cash on hand	1,303,470	519,433
Checks for collection	366,642	407,669
Current accounts	121,426,918	22,462,914
Short term deposits	5,368,634	4,892,398
	128,465,664	28,282,414
Less: Allowance for expected credit losses	(12,836,689)	(7,836,689)
	115,628,975	20,445,725

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

	December 31,	
	2020	2019
	US$	US$
Balance at the beginning of the year	7,836,689	157,352
Additions, net (Note 29)	5,000,000	7,679,337
Balance at the end of the year	12,836,689	7,836,689

Short term deposits mature within three months (December 31, 2019: the same). The average yield on the term deposits for the year ended December 31, 2020 was approximately 1.08% (4.51% for the year ended December 31, 2019).

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

	Local Banks	Foreign Banks	Total
	US$	US$	US$
Current accounts	112,045,574	9,381,344	121,426,918
Short term deposits	268,063	5,100,571	5,368,634
	112,313,637	14,481,915	126,795,552

Local bank balances are denominated as follows:

	Current accounts	Short term deposits	Total
	US$	US$	US$
US Dollars	109,106,966	268,063	109,375,029
Lebanese Pound	2,915,901	-	2,915,901
GBPs	12,947	-	12,947
Euros	9,760	-	9,760
	112,045,574	268,063	112,313,637

Local bank balances in U.S. Dollars include an amount of US$109,088,991 subject to the de-facto capital control as disclosed in Note 1.

Total exposure for the year ended December 31, 2019 is detailed as follows:

	Local Banks	Foreign Banks	Total
	US$	US$	US$
Current accounts	11,509,795	10,953,119	22,462,914
Short term deposits	1,554,398	3,338,000	4,892,398
	13,064,193	14,291,119	27,355,312

Local bank balances are denominated as follows:

	Current accounts	Short term deposits	Total
	US$	US$	US$
US Dollars	10,473,657	1,554,398	12,028,055
Lebanese Pound	1,012,788	-	1,012,788
GBP	13,723	-	13,723
Euro	9,627	-	9,627
	11,509,795	1,554,398	13,064,193

Local bank balances in U.S. Dollars include an amount of US$9,925,376 subject to the de-facto capital control as disclosed in Note 1.

Restricted balances in local banks are subject to the de-facto capital control imposed by Lebanese banks as described in Note 1.

7. ACCOUNTS AND NOTES RECEIVABLES, NET

	December 31, 2020	December 31, 2019
	US$	US$
Notes receivable (a)	87,463,704	189,768,377
Accounts receivable (b)	14,786,525	20,213,200
Less: Unearned interest	(8,300,327)	(45,038,621)
Less: Allowance for impairment on notes and accounts receivable (d)	(52,170,021)	(82,639,914)
	41,779,881	82,303,042
Receivables from tenants (c)	43,057,385	49,082,590
Less: Allowance for impairment on receivable from tenants (d)	(41,820,196)	(23,507,381)
	1,237,189	25,575,209
Reserve account and deferred charges on BCD 1 Fund (Note 8)	12,279,048	12,279,048
Reserve account and deferred charges on BCD 2 Fund (Note 8)	-	9,778,969
	12,279,048	22,058,017
	55,296,118	129,936,268

The Group's credit risk exposure in notes and accounts receivable is spread over 8 counter-parties; 4 customers constitute 96% of the total exposure and 4 customers constitute the remaining 4% as of December 31, 2020 (as of December 31, 2019, 19 counter-parties; 7 customers constitute 93% of the total exposure and 12 customers constitute the remaining 7%).

The Group's credit exposure in receivables from tenants is spread over a large number of counter-parties, however, 3 tenants constitute 60% of the total exposure as of December 31, 2020 (3 tenants constitute 66% of the total exposure as of December 31, 2019).

The average yield on accounts and notes receivable is mainly dependent on the Libor rate.

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

	December 31,	
	2020	**2019**
	US$	**US$**
Doubtful balances	63,207,704	187,683,672
Overdue but not impaired	24,178,000	1,405,956
2020	-	288,736
2021 and above	78,000	390,013
	87,463,704	189,768,377

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

	December 31,	
	2020	**2019**
	US$	**US$**
Doubtful balances	12,751,360	1,503,200
Overdue but not impaired	1,284,135	2,010,000
2020	751,030	16,700,000
	14,786,525	20,213,200

(c) Receivables from tenants includes an amount of US$22,886,200 as of December 31, 2020 (US$22,858,408 as of December 31, 2019) 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 2020, the Group wrote-off doubtful receivables from tenants in the amount of US$2,186,841 recorded under "Write-off of receivables" in the consolidated statement of profit or loss and other comprehensive income (US$606,254 during the year 2019).

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

	2020 US$	2019 US$
Balance at the beginning of the year	106,147,295	158,597,754
Additions, net	17,375,394	5,829,164
Write-off (d.1)	(31,541,407)	(61,030,544)
Reallocation of provisions provided prior years	2,008,935	2,750,921
Balance at the end of the year	93,990,217	106,147,295

(d.1) Following the settlement agreements reached during 2020, the Group wrote-off an amount of US$30,571,700 of previously provided for doubtful receivables from two land sales made in previous years (US$60,585,176 during 2019). In addition, the Group wrote-off doubtful receivables from tenants in the amount of US$969,707 that were already provided for earlier (US$445,368 during 2019).

8. INVESTMENT IN ASSET-BACKED SECURITIES

During 2013, the Group 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 Group collected an amount of US$93,821,227, net of reserve account and transaction costs.

During 2018, the Group 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 Group 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 Group.

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

Class of Notes	Total Issuance	Subscription Amount	Carrying Amount December31, 2020	Carrying Amount December31, 2019	Interest Rate
	US$	US$	US$	US$	%
BCD 1:					
Class A	130,000,000	28,000,000	-	-	5
Class B	45,000,000	45,000,000	5,378,559	5,378,559	5
Class C	10,160,450	10,160,450	10,160,450	10,160,450	-
	185,160,450	83,160,450	15,539,009	15,539,009	
Allowance for expected credit losses	-	-	(7,100,000)	(7,100,000)	
BCD 2:					
Class A	56,777,280	6,546,883	-	5,327,578	7
Class B	24,333,120	24,333,120	-	24,333,120	-
	81,110,400	30,880,003	-	29,660,698	
Allowance for expected credit losses	-	-	-	(29,400,000)	
	266,270,850	114,040,453	8,439,009	8,699,707	

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 Group 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 Group 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 (US$491,498 during 2019) and the outstanding reserve account balance decreased to US$30,068 as at December 31, 2020 (US$407,600 as at December 31, 2019).

The movement of the reserve account receivable from BCD 1 Fund presented under accounts receivable (Note 7), is as follows:

	2020	2019
	US$	US$
Balance at the beginning of the year	407,600	899,098
To cover shortfall in payments of principal and interest	(377,532)	(491,498)
Balance at the end of the year	30,068	407,600

The movement of the deferred charges from securitization of notes from BCD 1 Fund (Note 7), is as follows:

	2020	2019
	US$	US$
Balance, beginning of the year	11,871,448	11,379,950
Withdrawals from reserve BCD 1 Fund	377,532	491,498
Balance, end of the year	12,248,980	11,871,448

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.

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 Group 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 8). 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 (US$9,887,241 during 2019).

The net decrease in the reserve account in the aggregate of US$7,286,851 as of December 31, 2019 was recorded under "Deferred charges from securitization of notes on BCD 2 Fund under "Accounts and notes receivables, net" and will be covered from any subsequent distribution made by the BCD 2 Fund (Note 7).

The movement of the reserve account receivable from BCD 2 Fund presented under accounts receivable (Note 7), is as follows:

	2020	2019
	US$	US$
Balance at the beginning of the year	2,492,118	9,779,359
Additions	-	2,600,000
To cover shortfall in payments of principal and interest	(515,466)	(9,887,241)
Write-off upon final liquidation	(1,976,652)	-
Balance at the end of the year	-	2,492,118

The movement of the deferred charges from securitization of notes from BCD 2 Fund (Note 7), is as follows:

	2020	2019
	US$	US$
Balance, beginning of the year	7,286,851	(2,600,390)
Withdrawals from reserve BCD 2 Fund	515,466	9,887,241
Write-off upon final liquidation	(7,802,317)	-
Balance, end of the year	-	7,286,851

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. An amount of US$500,000 was kept in custody of the Fund Manager to cover for any tax liability to be borne by the liquidated Fund and any related legal expenses.

Provision for impairment on Funds:

During 2019, the Group set up a provision for impairment in the amount of US$4,600,000 recorded under "Provision for impairment, net" in the statement of profit or loss and other comprehensive income (US$Nil during 2020).

Interest income from the Funds:

Interest income in the amount of US$320,614 for the year 2020 (US$713,903 for the year 2019) is recorded under "Interest income" in the consolidated statement of profit or loss and other comprehensive income (Note 25).

9. PREPAYMENTS AND OTHER DEBIT BALANCES

	December 31, 2020 US$	December 31, 2019 US$
Due from associates, joint ventures and related parties (b)	30,150,050	2,946,102
Prepaid expenses	7,049,448	6,770,209
Deferred tax assets (a)	1,827,500	1,827,500
Advances to employees	951,484	997,789
Value added tax (VAT) receivable	681,264	-
Advance payments to contractors	135,709	149,449
Other debit balances, net (c)	1,637,174	5,989,560
	42,432,629	18,680,609

(a) Deferred tax assets consist of the following:

	December 31, 2020 US$	December 31, 2019 US$
Deferred tax assets on unrealized profits from sales to a joint venture (Note 12 (a))	1,827,500	1,827,500

The movement of the deferred tax assets was as follows:

	2020 US$	2019 US$
Balance, beginning of the year	1,827,500	7,989,544
Utilization (Note 15 (c.2))	-	(5,435,007)
Write off to other expenses	-	(472,344)
Transfer to accrued income tax	-	(254,693)
Balance, end of the year	1,827,500	1,827,500

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

	December 31, 2020 US$	December 31, 2019 US$
Solidere International Limited (Associate)	32,261	32,261
City Makers S.A.R.L. (Related party)	56,359	65,897
BCD Cinemas S.A.L. (Associate)	2,384,386	2,157,504
Beirut Waterfront Development S.A.L. (Joint Venture) (b.1)	29,876,765	448,559
ASB – Downtown S.A.L. (Associate)	241,881	241,881
	32,591,652	2,946,102
Allowance for expected credit loss (b.2)	(2,441,602)	-
	30,150,050	2,946,102

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

(b.1) On November 20, 2020, the Group signed a "Memorandum of Understanding" with "Beirut Waterfront Development S.A.L." (BWD), to acquire apartments and parking amounting to USD29.25million in settlement of the balance due.

(b.2) During 2020, additional provision on receivables from "BCD Cinemas S.A.L." an associate amounted to US$2,199,721 recorded under "Provision for impairment" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020 (Note 29).

(c) Other debit balances amounting to US$8,335,483 are stated net of provisions in the amount of US$6,698,309 as at December 31, 2020 (December 31, 2019: US$8,704,964 net of provisions in the amount of US$2,715,404). During 2019, the Group collected a receivable balance from BCD2 Fund amounting to US$23,586,660 (Note 8).

The movement of the provisions was as follows:

	December 31,	
	2020	2019
	US$	US$
Balance, beginning of the year	2,715,404	3,300,071
Additions (Note 29)	4,370,391	166,254
Reallocation of provisions provided prior years	(387,486)	(750,921)
Balance, end of the year	6,698,309	2,715,404

10. INVENTORY OF LAND AND PROJECTS IN PROGRESS

	December 31,	
	2020	2019
	US$	US$
Land and land development works, net (a)	791,474,167	962,180,929
Real estate development projects, net (b)	95,586,478	148,367,959
	887,060,645	1,110,548,888

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

		December 31,	
		2020	2019
		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)		954,741,703	951,092,346
Eviction costs (a.4)		260,351,968	260,351,968
Capitalized costs (a.5)		116,877,508	114,013,046
Cumulative costs		2,312,207,535	2,305,693,716
Less:	Cost of land sold, net	(1,338,360,529)	(1,161,139,948)
	Cost of land transferred to real estate development projects (Note 10 (b))	(176,019,718)	(176,019,718)
	Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
		791,474,167	962,180,929

(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 Group.

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

	December 31,	
	2020	2019
	US$	US$
Sea front defense	360,748,320	359,276,005
Work executed in the traditional BCD area	209,153,076	209,590,042
Land reclamation and treatment	103,671,232	103,610,195
Borrowing costs (Note 27)	48,530,457	48,433,751
Electricity power station	42,931,751	42,942,938
Other costs	189,706,867	187,239,415
	954,741,703	951,092,346

(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, 2020 (US$22.2million as of December 31, 2019) 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, 2020 before indirect cost reallocation amounted to US$2.8million (US$2.6million during the year ended December 31, 2019) (Note 24).

(b) Real estate development projects include the following:

	December 31,	
	2020	**2019**
	US$	**US$**
Construction and rehabilitation of buildings	748,933,546	801,715,027
Cost of land (Note 10 (a))	176,019,718	176,019,718
Cumulative costs	924,953,264	977,734,745
Less: Cost transferred to investment properties, net	(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)
	95,586,478	148,367,959

During 2020, the Group allocated interest expense to real estate development projects in the amount of US$106,815 (US$764,595 during 2019) (Note 27).

During 2020, the Group wrote-off an amount of US$31.9million (US$15.7million during 2019) of previously capitalized cost on development projects that were abandoned. The amount written off is recorded under "Cost of land sales" in the consolidated 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 Group's properties and noted damages amounting to US$21.7million recorded under "Provision for contingencies" in the consolidated statement of profit or loss and other comprehensive income and allocated between US$13.9million related to real estate development projects, US$7.4million investment properties and US$400thousand property and equipment.

11. INVESTMENT PROPERTIES, NET

	Balance as at December 31, 2019	Additions	Disposals (Explosion) (Note 10)	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
	704,232,614	31,959,762	(21,224,555)	(15,944,012)	699,023,809
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
	139,055,031	13,578,497	(13,825,084)	(1,722,683)	137,085,761
Net Book Value	565,177,583				561,938,048

	Balance as at December 31, 2018	Additions	Disposals and Sales	Balance as at December 31, 2019
	US$	US$	US$	US$
Cost:				
Land	114,554,400	-	(1,442,831)	113,111,569
Buildings	559,184,476	3,030,084	(8,478,842)	553,735,718
Other assets	36,951,788	438,043	(4,504)	37,385,327
	710,690,664	3,468,127	(9,926,177)	704,232,614
Accumulated Depreciation:				
Buildings	104,380,614	11,149,225	(969,068)	114,560,771
Other assets	21,848,789	2,645,969	(498)	24,494,260
	126,229,403	13,795,194	(969,566)	139,055,031
Net Book Value	584,461,261			565,177,583

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.

Disposals of land, building and other assets during 2020 resulted in a gain of US$4,694,767 recorded under "Gain on sale and disposal of investment properties" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020 (US$3,803,963 for the year ended December 31, 2019).

Depreciation for investment properties in the amount of US$13,578,497 for the year 2020 (US$13,795,194 for the year 2019) is recorded under "Charges on rented properties" in the consolidated statement of profit or loss and other comprehensive income (Note 22).

The fair value of the investment properties based on a valuation by an independent expert is approximately US$2.8billion as of December 31, 2020 assuming payments within Lebanon through check on local bank transfer (US$1.21billion as of December 31, 2019) based on a market capital approach estimated by the management.

The Group classifies investment properties within level 2 in the hierarchy of fair value measurement (Note 36).

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	December 31,	
	2020	2019
	US$	US$
Investment in Solidere International Limited (Associate) (b)	318,102,324	338,870,440
Investment in BCD Cinemas S.A.L. (Associate)	1,027,942	1,027,942
Investment in Beirut Waterfront Development S.A.L. (Joint Venture) (a)	(14,603,533)	(12,168,329)
Investment in Beirut Real Estate Management and Services S.A.L. (Joint Venture)	21,335	21,335
Investment in ASB - Downtown S.A.L. (Associate)	(144,529)	219,395
Investment in STOW Waterfront Holding S.A.L.	506,000	530,297
	304,909,539	328,501,080
Long term loan to Beirut Waterfront Development S.A.L. (Joint Venture) (a)	36,540,000	36,540,000
Less: Provision for impairment (a)	(13,890,000)	(13,890,000)
	327,559,539	351,151,080

Investments movement is as follows:

	December 31,	
	2020	2019
	US$	US$
Balance at the beginning of the year	351,151,080	397,598,001
(Decrease)/increase in investment in STOW Waterfront Holding S.A.L	(24,298)	24,297
Decrease in investment in Solidere International Limited due to share-buyback	(52,281)	(29,332,084)
Share of other comprehensive income of associates (b)	10,945,546	-
Share of the results of associates and joint ventures	(34,461,408)	(14,585,364)
Provision for impairment (Note 15(e))	-	(2,550,000)
Foreign currency translation reserve	900	(3,770)
Balance at the end of the year	327,559,539	351,151,080

Details of the Group's investment in associates and joint ventures are as follows:

	Country of Incorporation	Ownership Interest	December 31, 2020 At Cost	2020 Group's Share of Equity	2019 At Cost	2019 Group's Share of Equity
		%	US$	US$	US$	US$
Solidere International Limited (Associate)	UAE	41.00	213,625,788	318,102,324	213,664,801	338,870,440
BCD Cinemas S.A.L. Sal (Associate)	Lebanon	40.00	8,000	1,027,942	8,000	1,027,942
Beirut Waterfront Development S.A.L. (a) (Joint Venture)	Lebanon	50.00	11,385,075	(14,603,533)	11,385,075	(12,168,329)
Beirut Real Estate Management and Services (Joint Venture)	Lebanon	45.00	9,000	21,335	9,000	21,335
ASB - Downtown S.A.L. (Associate)	Lebanon	24.50	4,877	(144,529)	4,877	219,395
STOW Waterfront Holding S.A.L.	Lebanon	1.68	506,000	506,000	530,297	530,297
			225,538,740	304,909,539	225,602,050	328,501,080

(a) The Group 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 amounting to US$19,900. 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 Group 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 Group 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 consolidated statement of financial position, to be realized after realization of the sale of the properties to third parties (Note 17).

On June 27, 2006, the Group 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 board of directors decided to stop accruing interest and to recycle the deferred interest amounting to US$32,715,900 to the statement of profit or loss and other comprehensive income. The Group set up provisions for the full amount recognized against long-term loan in the capitalized portion of US$11,340,000 and interest on long-term loan in the amount of US$21,375,900.

(b) During 2019, the Group participated in the share Buyback Program I offered by Solidere International Limited. The Group sold 214,465 shares in stage 1 at US$83 per share and 128,552 shares in stage 2 at US$85 per share resulting in a total loss amounting to US$570,714 recorded under "Other expense" in the consolidated statement of profit or loss and other comprehensive income. As a result, the investment in Solidere International Limited decreased by a total of US$25million to become US$214million as at December 31, 2019.

During 2020, the Group did not participate in the share buyback programs offered by Solidere International Limited but its ownership interest increased indirectly from 39% to 41% decreasing its share of equity by US$10,945,546 recorded in the consolidated statement of other comprehensive income.

Summarized financial information in respect of the Group's significant associates and joint ventures is set out below:

	2020			
	Solidere International Limited	**Beirut Waterfront Development SAL**	**Other Associates and Joint Ventures**	**Total**
	US$	**US$**	**US$**	**US$**
Total Assets	847,280,627	157,985,433		
Total Liabilities	10,214,329	187,192,487		
Non-controlling interest	61,206,463	-		
Net assets	775,859,835	(29,207,054)		
Group's share of net assets	**318,102,324**	**(14,603,533)**		
Total Revenue	1,913,874	17,989,183		
Total Cost of Revenue	(1,670,085)	(14,146,768)		
Loss for the year	(77,257,436)	(4,870,406)		
Group's share of results-(loss)	**(31,675,549)**	**(2,435,203)**	**(350,656)**	**(34,461,408)**

	2019			
	Solidere International Limited	**Beirut Waterfront Development SAL**	**Other Associates and Joint Ventures**	**Total**
	US$	**US$**	**US$**	**US$**
Total Assets	946,509,071	165,373,619		
Total Liabilities	16,848,467	189,710,275		
Non-controlling interest	60,762,040	-		
Net assets	868,898,564	(24,336,657)		
Group's share of net assets	**338,870,440**	**(12,168,329)**		
Total Revenue	6,402,025	15,915,684		
Total Cost of Revenue	(5,595,874)	(13,091,566)		
Loss for the year	(34,668,550)	(2,646,741)		
Group's share of results-(loss)	**(13,073,549)**	**(1,323,371)**	**(188,444)**	**(14,585,364)**

13. PROPERTY AND EQUIPMENT, NET

	Balance as at December 31, 2019	Additions	Disposals and Sales (Note 10)	Balance as at December 31, 2020
	US$	US$	US$	US$
Cost:				
Land	5,406,678	-	-	5,406,678
Buildings	34,937,137	80,370	(1,091,519)	33,925,988
Marina	7,974,624	27,546	(30,000)	7,972,170
Furniture and fixtures	9,323,005	-	-	9,323,005
Freehold improvements	21,940,931	-	-	21,940,931
Machines and equipment	38,384,750	278,587	(23,892)	38,639,445
Advances on fixed assets	(554,072)	-	-	(554,072)
	117,413,053	386,503	(1,145,411)	116,654,145
Accumulated Depreciation:				
Buildings	13,340,137	1,012,475,	(730,358)	13,622,254
Marina	2,298,893	173,380	-	2,472,273
Furniture	6,027,318	248,991	-	6,276,309
Freehold improvements	11,887,712	806,769	-	12,694,481
Machines and equipment	38,782,683	416,689	(15,558)	39,183,814
	72,336,743	2,658,304	(745,916)	74,249,131
Net Book Value	45,076,310			42,405,014

	Balance as at December 31, 2018	Additions	Disposals and Sales	Write-back on impairment	Balance as at December 31, 2019
	US$	US$	US$	US$	US$
Cost:					
Land	5,856,869	-	(450,191)	-	5,406,678
Buildings	36,408,937	60,923	(1,532,723)	-	34,937,137
Marina	7,974,624	-	-	-	7,974,624
Furniture and fixtures	9,452,214	2,375	(139,149)	7,565	9,323,005
Freehold improvements	22,006,503	-	(65,572)	-	21,940,931
Machines and equipment	38,032,790	414,911	(63,271)	320	38,384,750
Advances on fixed assets	(554,072)	-	-	-	(554,072)
	119,177,865	478,209	(2,250,906)	7,885	117,413,053
Accumulated Depreciation:					
Buildings	13,073,673	730,194	(463,730)	-	13,340,137
Marina	2,128,833	301,645	(131,585)	-	2,298,893
Furniture	5,808,314	219,004	-	-	6,027,318
Freehold improvements	11,220,107	716,357	(48,752)	-	11,887,712
Machines and equipment	38,419,472	416,291	(53,080)	-	38,782,683
	70,650,399	2,383,491	(697,147)	-	72,336,743
Net Book Value	48,527,466				45,076,310

During 2019, a write-back of provision for impairment of property and equipment used in the hospitality industry amounted to US$7,885 was recorded in the consolidated statement of profit or loss and other comprehensive income under "Write back on impairment of property and equipment".

The depreciation for the year ended December 31, 2020 and 2019 is included under "Depreciation of property and equipment" in the consolidated statement of profit or loss.

Disposals of building, freehold improvements and machines and equipment resulted in a gain of US$22,134 recorded under "Other income" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020 (US$2,793,311 for the year ended December 31, 2019) (Note 26).

14. BANK OVERDRAFTS AND SHORT TERM FACILITIES

	December 31,	
	2020	2019
	US$	US$
Bank overdrafts	-	18,958,855
Short term facilities	-	30,000,000
	-	48,958,855

Interest expense on bank overdrafts for the year ended December 31, 2020 amounted to US$600,250 and is recorded under "Interest expense" in the consolidated statement of profit or loss and other comprehensive income (US$3,680,543 for the year ended December 31, 2019) (Note 27).

Short term facilities mature within a period of one year and consist of the following:

Facility Amount	Maturity Date	Covenants	December 31, 2020	December 31, 2019
US$			US$	US$
50,000,000	31-Jul-20	(a)	-	30,000,000
			-	30,000,000

(a) The covenants of the facility stipulate that the Group maintains a minimum equity of US$1billion, a minimum equity to assets ratio of 40%, and a maximum debt to equity ratio of 50%. During 2020, the Group fully settled the outstanding balance.

Interest expense on short term facilities for the year ended December 31, 2020 amounted to US$452,127 (US$4,045,610 for the year ended December 31, 2019) and is recorded under "Interest expense" in the consolidated statement of profit or loss and other comprehensive income (Note 27).

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	December 31, 2020	December 31, 2019
	US$	US$
Accounts payable (a)	32,379,975	43,977,235
Accrued charges and other credit balances (b)	16,221,157	15,085,718
Taxes payable (c)	3,477,142	19,952,108
Provision for end-of-service indemnity and other charges (d)	10,134,161	9,173,683
Provision for contingencies (e)	36,215,978	18,246,385
Due to related parties (f)	573,890	1,807,490
Accrued interest payable	517,937	1,182,242
	99,520,240	109,424,861

(a) Accounts payable as of December 31, 2020 and 2019 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 32 (f).

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

	December 31, 2020	December 31, 2019
	US$	US$
Deposits from Tenants	2,604,466	2,720,347
Accrued municipality expenses	1,246,173	1,424,153
Accruals for project costs	465,741	2,466,532
Accruals for employees and management benefits	500,000	500,000
Accruals for utilities costs	4,467,283	2,579,673
Other	6,937,494	5,395,013
	16,221,157	15,085,718

During 2019, an amount of US$1million was transferred from other accruals to provision for contingencies (Note 15 (e)).

(c) Taxes payable consist of the following:

	December 31, 2020	December 31, 2019
	US$	US$
Value added tax (VAT) payable (c.1)	-	1,263,770
Accrued income tax (c.2)	2,779,971	11,171,592
Additional tax assessment (c.3)	-	4,535,979
Taxes withheld	696,987	457,597
Built property tax payable	184	2,523,170
	3,477,142	19,952,108

(c.1) 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) payable was as follows:

	2020	2019
	US$	US$
Balance, beginning of the year	(1,263,770)	(3,500,191)
Transfer to provision for contingencies (Note 15 (e))	241,262	2,152,052
Adjustment	-	(233,605)
Additions	(3,335,652)	(8,865,341)
Settlements	5,039,424	9,183,315
Balance, end of the year (Note 9)	681,264	(1,263,770)

(c.2) Income tax

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

The accrued income tax for the years 2020 and 2019 are segregated as follows:

	December 31,	
	2020	2019
	US$	US$
Solidere S.A.L. (c.2.1)	2,632,220	11,088,914
Solidere Management Services S.A.L. (c.2.2)	140,450	75,377
Solidere Management Services (Offshore) S.A.L.	667	667
Solidere International Holding S.A.L.	3,317	3,317
BHC Holding S.A.L.	3,317	3,317
	2,779,971	11,171,592

The accrued income tax for the years 2020 and 2019 was estimated as follows:

(c.2.1) Solidere S.A.L.:

	December 31, 2020	December 31, 2019
	US$	US$
Profit before tax	23,356,067	79,750,134
Add: Non-deductible reconciling items	54,840,968	17,449,403
Deduct: Non-taxable reconciling items	(62,713,388)	-
Taxable profit	15,483,647	97,199,537
Applicable tax rate	17%	17%
Accrued income tax	2,632,220	16,523,921
Other taxes withheld	822	46,453
Less: Income tax expense	2,632,042	16,570,374
Income tax expense	2,632,042	16,570,374
Less: Other taxes withheld	(882)	(46,453)
Less: Deferred tax asset utilized (Note 9 (a))	-	(5,435,007)
Accrued income tax	2,632,220	11,088,914

(c.2.2) Solidere Management Services S.A.L.:

	December 31, 2020	December 31, 2019
	US$	US$
Profit before tax	348,611	273,636
Add: Non-deductible provisions and charges	14,599	169,758
Taxable profit	363,210	443,394
Applicable tax rate	17%	17%
Income tax expense	61,746	75,377

Income tax for the years 2020 and 2019 were paid in 2021.

(c.3) Additional tax assessment:

Solidere S.A.L.:

	December 31, 2020	December 31, 2019
	US$	US$
Opening	4,535,979	3,920,871
Transfer from provision for contingencies (Note 15 (e))	(4,535,979)	4,960,523
Settlements	-	(4,345,415)
Ending	-	4,535,979

The Group's accounts and income tax returns for the years up to 2016 were subject to review and tax assessment by the tax authorities over the years up to 2020. These reviews resulted in additional tax liabilities that the Group has setup provisions and accrued for as incurred.

The Group's accounts and income tax returns for the years 2016 until 2020 are still subject to examination and final assessment by the tax authorities.

The Group'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 (US$2.08million in 2018). The Group 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 Group 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 Group settled additional taxes in the amount of US$175thousand in 2020 (US$3.5million in 2019), in addition to penalties in the amount of US$0.9million in 2020 (US$0.8million in 2019).

The VAT declarations for the period from April 1, 2018 until 2020 are still subject to examination and final tax assessment by the VAT authority. Any additional tax liability is pending the results of this review.

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

	December 31,	
	2020	**2019**
	US$	**US$**
Balance at the beginning of the year	9,173,683	10,414,651
Additions	1,183,306	857,318
Settlements	(222,828)	(1,665,735)
Write-back	-	(372,358)
Transfer to contingencies (Note 15 (e))	-	(60,193)
Balance at the end of the year	10,134,161	9,173,683

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

	December 31,	
	2020	**2019**
	US$	**US$**
Balance at the beginning of the year	18,246,385	30,795,132
Additions	16,180,380	1,235,000
Transfers (Note 15 (b, c.1, d)	4,796,021	3,242,491
Transfer from/(to) additional tax assessment (Note 15 (c.3))	4,535,979	(4,960,523)
Settlements	(7,136,801)	(5,134,274)
Write-off upon BCD 2 Fund Liquidation	(405,986)	-
Write-off	-	(2,250,000)
Transfer to allowance for impairment for rental receivables (Note 8 (d))	-	(2,000,000)
Transfer to provision for impairment of loan to a joint venture (Note 12 (a))	-	(2,550,000)
Utilization	-	(131,441)
Balance at the end of the year	36,215,978	18,246,385

Management initiated a comprehensive exercise during the year 2017, to address some discrepancies and ensure the accuracy of the share register and other commitments and contingent liabilities. Following the completion of the exercise, Management addressed the shortage and set up a provision of US$4million to cover probable liabilities in this regard, during 2017, and continued the process of regularizing discrepancies. During 2018, Management finalized the regularization process and resolved the identified discrepancy and accordingly settled US$2.3million. As at December 31, 2019, the provision balance outstanding amounted to US$1.7million.

Included under provision for contingencies as at December 31, 2019 an amount of US$735,000 setup during 2019 for employee redundancy and recorded under "Provision for contingencies" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019. During 2020, the Group fully settled the above mentioned amount.

Furthermore, the Group setup during 2017 a provision for claims raised by one of its customers in the amount of US$2,750,000 after the issuance of the arbitration ruling dated December 18, 2017, recorded under provision for contingencies in the consolidated statement of profit or loss and other comprehensive income. During 2018, a balance of US$500,000 was settled by the customer and accordingly written back from the provision. During 2019, the Group signed an agreement with the customer to settle the outstanding receivable balance net of provision and accordingly wrote-off the provision balance of US$2,250,000 against notes receivables in the consolidated statement of financial position.

(f) Due to related parties consist of the following:

	December 31,	
	2020	**2019**
	US$	**US$**
GroupMed Insurance and Reinsurance Company SAL	517,938	1,685,966
Beirut Waterfront Development S.A.L	-	121,524
	517,938	1,807,490

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

16. DIVIDENDS PAYABLE

General Assembly Date	Dividend per Share	Declared	Settled/ Distributed up to December 31, 2020	December 31, 2020 Payable	December 31, 2019 Payable
	US$	US$	US$	US$	US$
June 29, 1996	0.2	30,918,413	29,492,514	1,425,899	1,428,175
June 30, 1997	0.25	40,367,172	37,746,870	2,620,302	2,623,197
June 29, 1998	0.25	39,351,753	36,202,121	3,149,632	3,152,528
June 23, 2003	Stock dividend	19,625,550	19,606,235	19,315	19,315
June 12, 2006	0.6	94,831,106	90,887,663	3,943,443	3,958,750
June 22, 2007	1	155,093,702	148,740,905	6,352,797	6,382,229
July 15, 2008	1	155,090,832	146,071,909	9,018,923	9,068,423
July 13, 2009	1.15	176,479,957	166,513,567	9,966,390	10,021,620
July 19, 2010	1.15	175,228,434	163,842,556	11,385,878	11,467,088
August 1, 2011	0.4	60,912,291	57,811,742	3,100,549	3,138,285
August 1, 2011	Stock dividend	85,987,850	85,987,850	-	-
July 30, 2012	0.25	39,316,239	36,345,141	2,971,098	2,997,404
July 30, 2012	Stock dividend	42,744,616	42,744,616	-	-
July 13, 2015	0.1	16,015,415	14,743,805	1,271,610	1,607,978
July 13, 2015	Stock dividend	36,859,996	36,859,996	-	-
June 27, 2016	0.1	16,302,491	13,534,969	2,767,522	3,149,971
June 27, 2016	Stock dividend	19,070,313	19,070,313	-	-
		1,204,196,130	1,146,202,772	57,993,358	59,014,963

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

17. DEFERRED REVENUES AND OTHER CREDIT BALANCES

	December 31, 2020	December 31, 2019
	US$	US$
Cash down payments and commitments on sale contracts	65,396,772	19,133,871
Unrealized gain on sale of properties to a joint venture (Note 12 (a))	10,750,000	10,750,000
Deferred rental revenue and related deposits	9,565,706	14,680,121
	85,712,478	44,563,992

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

18. TERM BANK LOANS

				Outstanding Balance December 31,	
2020	2019	Maturity Date	Interest Rate	2020	2019
US$	US$			US$	US$
50,000,000	50,000,000	December 30, 2021	variable	-	21,000,058
50,000,000	50,000,000	December 30, 2020	variable	-	6,250,000
95,000,000	95,000,000	December 29, 2021	variable	-	23,200,000
40,000,000	40,000,000	December 30, 2021	variable	-	14,000,000
100,000,000	100,000,000	June 25, 2022	fixed	-	14,735,988
50,000,000	50,000,000	December 25, 2022	variable	-	24,945,987
30,000,000	30,000,000	December 25, 2022	variable	-	20,001,101
19,300,000	19,300,000	December 8, 2024	variable	-	13,348,164
18,000,000	18,000,000	December 31, 2021	variable	-	18,000,000
				-	155,481,298

Variable interest rates were linked to either LIBOR or Beirut Reference Rate (BRR).

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

Interest expense on term bank loans for the year 2020 amounted to US$2,514,184 (US$20,823,105 for the year 2019) and is recorded under "Interest expense" in the consolidated statement of profit or loss and other comprehensive income (Note 27).

Discount from early settlement of term bank loans amounted to US$8,782,041 during 2020 (US$7,425,000 for the year 2019) and is recorded in the consolidated statement of profit or loss and other comprehensive income.

19. CAPITAL

Capital as at December 31, 2020 and 2019 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 Group.
- 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 Group.

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 and approved the proposed Share Buyback Program which offers to purchase up to 5% of the Group's total shares within one year at an estimated cost of US$157million, assuming an average rate of US$19 per share. During 2020, the Group purchased 1.9million of its shares, for the aggregate amount of US$29.7million.

20. LEGAL RESERVE

In conformity with the Group'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.

21. REVENUES FROM RENDERED SERVICES

	Year Ended December 31, 2020	Year Ended December 31, 2019
	US$	US$
Services rendered to customers	3,029,696	2,602,603
Broadband network revenues	4,413,606	5,121,403
	7,443,302	7,724,006

22. DEPRECIATION OF AND CHARGES ON RENTED PROPERTIES

	Year Ended December 31, 2020	Year Ended December 31, 2019
	US$	US$
Depreciation expense (Note 11)	13,578,497	13,795,194
Property taxes	675,331	1,242,706
Manpower	5,719,720	6,365,707
Advertising	124,909	457,479
Electricity, maintenance and other related charges	5,850,285	8,639,365
Recoveries from tenants	785,696	(10,299,436)
	26,734,438	20,201,015

Manpower includes reallocated salaries, benefits and related charges in the aggregate amount of US$4,649,911 during the year ended December 31, 2020 (US$4,632,178 during the year ended December 31, 2019) (Note 24).

23. COST OF RENDERED SERVICES

	Year Ended December 31, 2020	Year Ended December 31, 2019
	US$	US$
Cost of services rendered to customers	4,179,196	2,137,466
Broadband network cost of services rendered	4,453,328	4,017,046
	8,632,524	6,154,512

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2020 US$	Year Ended December 31, 2019 US$
Salaries, benefits and related charges	18,408,291	18,341,908
Utilities, office, maintenance and other similar expenses	2,456,739	1,661,269
Professional services	2,083,293	2,543,039
Donations and contributions	1,575,000	-
Taxes, fees and stamps	1,312,695	795,756
Termination	468,574	107,000
Board of directors' remuneration	165,000	180,000
Promotion and advertising	103,470	58,908
Travel and accommodation	51,796	182,196
Other expenses	158,006	372,514
	26,782,864	24,242,590

The Group reallocated salaries, benefits and related charges and administrative expenses amounting to US$2,864,462 to construction cost during the year ended December 31, 2020 (US$2,611,658 during the year ended December 31, 2019) (Note 10 (a.5)).

The Group reallocated salaries, benefits and related charges amounting to US$4,649,911 to charges on rented property during the year ended December 31, 2020 (US$4,632,178 during the year ended December 31, 2019) (Note 22).

The Group relocated salaries, benefits and related charges amounting to US$1,441,877 to cost rendered services during the year ended December 31, 2020 (US$872,898 during the year ended December 31, 2019) (Note 23).

25. INTEREST INCOME

	Year Ended December 31, 2020 US$	Year Ended December 31, 2019 US$
Interest income from notes and accounts receivable	61,979	102,695
Interest income from banks	31,380	675,763
Interest income from asset-backed securities (Note 8)	320,614	713,903
	413,973	1,492,361

26. OTHER INCOME

	Year Ended December 31,	
	2020	2019
	US$	US$
Income from events and activities	15,707	108,055
Gain on sale of property and equipment (Note 13)	22,134	2,793,311
Other	108,561	100,106
	146,402	3,001,472

27. INTEREST EXPENSE

	Year Ended December 31,	
	2020	2019
	US$	US$
Interest expense on short term facilities (Note 14)	452,127	4,095,444
Interest expense on bank overdrafts (Note 14)	600,250	3,680,543
Interest expense on term bank loans (Note 18)	2,514,184	20,823,105
Bank commissions and charges	128,501	119,104
Interest expense allocated to infrastructure costs (Note 10 (a.3))	(96,706)	(550,016)
Interest expense allocated to real estate development projects (Note 10 (b))	(106,815)	(764,595)
	3,491,541	27,403,585

28. BASIC/DILUTED EARNINGS PER SHARE

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

The weighted average number of shares to compute basic and diluted loss per share is 165,000,000 shares for the year 2020 and 2019.

29. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS, NET

	Year Ended December 31, 2020	Year Ended December 31, 2019
	US$	US$
Allowance for expected credit losses on bank balances (Note 6)	5,000,000	7,500,000
Allowance for impairment on notes and accounts receivable (Note 7 (d))	17,375,394	5,829,164
Allowance for expected credit losses on other debit balances (Note 9 (c))	4,372,558	344,925
Allowance for expected credit losses on BCD Cinemas receivable (Note 9 (b.2))	2,199,721	-
Allowance for expected credit losses on ASB – Downtown S.A.L. receivable	241,881	666
Allowance for expected credit losses on BCD 2 Fund (Note 8)	-	4,600,000
	29,189,554	18,274,755

30. NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	US$	US$
Depreciation of property and equipment (Note 13)	2,658,304	2,383,491
Depreciation of investment properties (Note 11)	13,578,497	13,795,194
Depreciation charge for the year	16,236,801	16,178,685

(b) Interest expense consists of the following:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	US$	US$
Interest charged as period cost (Note 27)	3,491,541	27,403,585
Interest expense allocated to inventory of land and projects in progress (Note 27)	203,521	1,314,611
Total interest expense	3,695,062	28,718,196

(c) Non-cash transactions in investing activities include cumulative foreign currency translation reserve and share of other comprehensive income in associates in the amounts of US$900 and US$10,945,546 respectively which were excluded from investment in associates and joint ventures against other comprehensive income under equity (US$41,814 for the year ended December 31, 2019 added from investment in associates and joint ventures against cumulative foreign currency translation reserve under equity).

(d) 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" (Notes 7 and 11).
- Increase of US$389,653 in "prepayments and other debit balances" against an increase in "accounts payable and other liabilities" (Notes 9 and 14).
- Decrease of US$2,008,935 in "accounts and notes receivable, net" against a decrease in "accounts payable and other liabilities (Notes 7 and 14).
- Increase of US$465,741 in "inventory of land and projects in progress" against an increase in "accounts payable and other liabilities" (Notes 10 and 15).
- Decrease of US$8,782,041 in "term bank loans" against "Discount on early settlement of bank loans" (Note 17).
- Decrease of US$405,986 in "investment in asset-backed securities" against a decrease in "Accounts payable and other liabilities" (Notes 8 and 14).

(e) Cash and cash equivalents comprise the following:

	Year Ended December 31,	
	2020	**2019**
	US$	**US$**
Cash on hand (Note 6)	1,303,470	519,433
Checks for collection (Note 6)	366,642	407,669
Current accounts (Note 6)	121,426,918	22,462,914
Short term deposits (Note 6)	5,368,634	4,892,398
Bank overdrafts (Note 14)	-	(18,958,855)
	128,465,664	9,323,559

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

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

	At January 1, 2019	Financing Cash Inflows/ (Outflows)	Discount on early Settlements	At December 31, 2019
	US$	US$	US$	US$
Bank overdrafts and short-term facilities	122,051,954	(73,093,099)	-	48,958,855
Term bank loans	361,597,531	(198,691,233)	(7,425,000)	155,481,298
	483,649,485	(271,784,332)	(7,425,000)	204,440,153

31. RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. significant shareholders, directors and senior management of the Group, 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 Group's management.

Cash and bank balances include US$112,208,550 as of December 31, 2020 (US$8,971,812 as of December 31, 2019) representing current accounts and short term deposits with local banks who are significant but minority shareholders of the Group.

Term loans include US$41,200,000 as of December 31, 2019 representing a term loan with a local bank who is a significant but a minority shareholder of the Group.

Included under "Interest expense" in the consolidated statement of profit or loss and other comprehensive income an amount of US$1,104,127 for the year ended December 31, 2020 (US$5,631,711 for the year ended December 31, 2019) representing interest expense on short term facilities, overdrafts and term loans with a local bank who is a significant but minority shareholder of the Group.

Included under "Interest income" in the consolidated statement of profit or loss and other comprehensive income an amount of US$12,487 for the year ended December 31, 2020 (US$299,482 for the year ended December 31, 2019) representing interest income on term deposits with local banks who are significant but minority shareholders of the Group.

Included under "Discount from early settlement of bank loans" in the consolidated statement of profit or loss and other comprehensive income an amount of US$2million for the year ended December 31, 2020 (US$nil for the year ended December 31, 2019) representing discounts from local banks who are significant but minority shareholder of the Group.

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

Gross balances with associates and joint ventures are disclosed in Notes 9, 12 and 15.

Total benefits of executives and members of the Board of Directors (including salary, bonus, remuneration, termination and others), included within "General and administrative expenses", for the year ended December 31, 2020 amounted to US$5,520,900 (US$5,225,000 for the year ended December 31, 2019).

During 2020, the Group cancelled land sale contracts with one of the members of the Board of Directors amounting to USD4,062,500.

During 2020, the Group purchased treasury shares through a related party and paid an aggregate amount of US$52,000 as trading commission fees.

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

32. COMMITMENTS AND CONTINGENCIES

(a) An agreement between the Group 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 Group was granted 291,800sqm of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Group 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. It is to be noted that the cost already disbursed exceeded 92% of this estimate.

(c) Commitments for contracted works not executed as of December 31, 2020 amounted to approximately US$13.9million (US$49million as of December 31, 2019).

(d) In prior periods, the Group 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 Group on behalf of the Government. These claims were neither approved nor confirmed by the concerned party nor recorded as receivables in the accompanying consolidated financial statements.

(e) The Group 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 Group'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 Group.

(k) Following the resolution of the Group's shareholders during 1998 to amend the duration of the Group from 25 years to 75 years, the Council of Ministers issued decree No. 15909 limiting the extension of the Group'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 Group 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 "مفوض الحكومة المعاون" 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 "المستشار المقرر المعين من قبل مجلس القضايا" was issued, after the aforementioned opinion was referred to the Council of cases "مجلس القضايا" 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 Group submitted its comments on the latest decision and reading on May 26, 2021.

The final outcome of the above cannot be presently determined.

33. CAPITAL MANAGEMENT

The primary objective of the Group'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 Group 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, 2020 and 2019.

The capital structure of the Group consists of debt and equity. Debt consists of total liabilities less cash and bank balances. Equity comprises capital, reserves, retained earnings, cumulative foreign currency transactions less treasury shares.

(f) On June 7, 1997, the Group signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Group acquired additional built up area of approximately 58,000sqm and 556,340 Class A shares in exchange for approximately 15,000sqm 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 (Note 15(a)) continues to be included under accounts payable. According to the terms of the agreement, the Group 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 consolidated financial statements.

(g) In prior periods, the Group 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 consolidated 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 Group 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 4,900sqm against ceding of owners' shares from both lots. Additionally, a built up area of 5,335sqm (US$2,700,000) remains as a contingent loss to the Group 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 consolidated financial statements.

(i) The Group is defendant in a lawsuit raised by a Group of jewelers and the jewelers syndicate. The Group appealed the court's decision in which the Group 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 Group confirming in substance the judgment rendered by Beirut Court of Appeal and thus ordering the Group 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 does not expect their outcome to be in favor of the Group. However, the management does not expect any additional negative financial impact on the consolidated financial statements.

(j) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US$2,318,844 as at December 31, 2020 (as at December 31, 2019 commitments and contingencies in the form of letters of guarantee in the amount of US$3,205,000).

Bank balances and cash deposits

The Group's liquid funds are mainly 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 Group's exposure to Lebanese banks.

Accounts and notes receivable

Customer credit risk is managed by each business unit subject to the Group'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 Group's credit risk exposure with respect to accounts and notes receivable is disclosed under Note 7.

The Group's maximum exposure to credit risk is the carrying amount as disclosed in Notes 6, 7, 8, and 9.

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

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

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

The Group monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at December 31, 2020 and 2019 was as follows:

	December 31,	
	2020	2019
	US$	US$
Total liabilities	243,226,076	417,443,969
Less: Cash and bank balances	(115,628,975)	(20,445,725)
Net debt	127,597,101	396,998,244
Total equity	1,797,533,901	1,832,272,201
Gearing ratio	0.07	0.22

34. RISK MANAGEMENT

The Group's principal financial liabilities comprise deferred revenues and other credit balances, dividends payable and accounts payable and other liabilities. The Group 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 Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and approves 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 Group does not hedge its currency exposure by means of hedging instruments.

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

(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 Group's credit risk is primarily attributable to its liquid funds, receivables, and other debit balances.

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

	December 31, 2020				
	No Maturity	Less than 3-Months	3-12 Month	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
Financial liabilities	81,560,826	10,169,989	-	-	91,730,815
Non-financial liabilities	151,495,261	-	-	-	151,495,261
	233,056,087	10,169,989	-	-	243,226,076

	December 31, 2019				
	No Maturity	Less than 3-Months	3-12 Month	1 to 5 Years	Total
	US$	US$	US$	US$	US$
Bank overdrafts and Short term facilities	18,958,855	854,250	31,139,000	-	50,952,105
Accounts payable and other liabilities	29,269,871	23,387,082	-	-	52,656,953
Dividends payable	59,014,963	-	-	-	59,014,963
Loans from banks and financial institutions	-	4,421,811	35,389,559	146,621,026	186,432,396
Financial liabilities	107,243,689	28,663,143	66,528,559	146,621,026	349,056,417
Non-financial liabilities	101,331,900	-	-	-	101,331,900
	208,575,589	28,663,143	66,528,559	146,621,026	450,388,317

35. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

	December 31,	
ASSETS	2020	2019
	US$	US$
Current Assets		
Cash and banks balances	115,628,975	20,445,725
Prepayments and other debit balances - Current portion	11,069,379	13,907,007
Accounts and notes receivables, net - Current portion	55,296,118	86,395,798
Investment in assets-backed securities - Current portion	8,439,009	4,337,877
Total Current Assets	190,433,481	125,086,407
Non-Current Assets		
Prepayments and other debit balances - Non-current portion	31,363,250	4,773,602
Accounts and notes receivables, net - Non-current portion	-	43,540,470
Investments in assets-backed securities - Non-current portion	-	4,361,830
Inventory of land and projects in progress	887,060,645	1,110,548,888
Investment properties, net	561,938,048	565,177,583
Investments in joint ventures and associates	327,559,539	351,151,080
Fixed assets, net	42,405,014	45,076,310
Total Non-Current Assets	1,850,326,496	2,124,629,763
TOTAL ASSETS	2,040,759,977	2,249,716,170
LIABILITIES		
Current Liabilities		
Bank overdrafts and short term facilities	-	48,958,855
Accounts payable and other liabilities - Current portion	54,920,847	79,015,061
Dividends payable	57,993,358	59,014,963
Deferred revenues and other credit balances - Current portion	74,962,478	33,813,992
Term bank loans - Current portion	-	25,750,000
Total Current Liabilities	187,876,683	246,552,871
Non-Current Liabilities		
Accounts payable and other liabilities – Non-current portion	44,599,393	30,409,800
Deferred revenues and other credit balances - Non-current portion	10,750,000	10,750,000
Term bank loans - Non-current portion	-	129,731,298
Total Non-Current Liabilities	55,349,393	170,891,098
TOTAL LIABILITIES	243,226,076	417,443,969
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	170,795,314	170,475,527
Retained earnings	6,555,898	11,840,097
Cumulative foreign translation reserve	(27,523)	(28,423)
Less: treasury shares	(29,789,788)	(15,000)
Total Equity	1,797,533,901	1,832,272,201
TOTAL LIABILITIES AND EQUITY	2,040,759,977	2,249,716,170

36. FAIR VALUE MEASUREMENT

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group 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 Group 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 Group's classification of each class of assets and liabilities and their fair values are as follows:

		December 31, 2020				
		Carrying	Fair Value			
	Notes	Amount	Level 1	Level 2	Level 3	Total
		US$	US$	US$	US$	US$
Financial Assets measured at:						
Amortized cost						
Cash and banks balances	6	128,465,664	16,071,423	112,394,241	-	128,465,664
Other debit balances	9	33,555,681	-	-	33,555,681	33,555,681
Accounts and notes receivable	7	43,017,070	-	-	43,017,070	43,017,070
Investment in asset-backed securities (includes reserve accounts and deferred charges)	8	20,718,057	-	20,718,057	-	20,718,057
		225,756,472	16,071,423	133,112,298	76,572,751	225,756,472
Financial Liabilities measured at:						
Amortized cost						
Accounts payable and other liabilities	15	33,471,803	-	-	33,471,803	33,471,803
Dividends payable	16	57,993,358	-	-	57,993,358	57,993,358
		91,465,161	-	-	91,465,161	91,465,161
Non-financial Assets measured at:						
Investment properties		561,938,048	-	2,807,238,963	-	2,807,238,963
		561,938,048	-	2,807,238,963	-	2,807,238,963

	Notes	December 31, 2019				
		Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
		US$	US$	US$	US$	US$
Financial Assets measured at:						
Amortized cost						
Cash and banks balances	6	20,445,725	927,103	19,518,622	-	20,445,725
Other debit balances	9	10,082,901	-	-	10,082,901	10,082,901
Accounts and notes receivable	7	129,936,268	-	-	129,936,268	129,936,268
Investment in asset-backed securities (includes reserve accounts and deferred charges)	8	30,757,724	-	31,352,469	-	31,352,469
		191,222,618	927,103	50,871,091	140,019,169	191,817,363
Financial Liabilities measured at:						
Amortized cost						
Bank overdrafts, and short term facilities	14	48,958,855	-	48,958,855	-	48,958,855
Accounts payable and other liabilities	15	52,656,953	-	-	52,656,953	52,656,953
Dividends payable	16	59,513,187	-	-	59,513,187	59,513,187
Deferred revenues and other credit balances	17	-	-	-	-	-
Loans from banks and financial institution		155,481,298	-	156,123,614	-	156,123,614
		316,610,293	-	205,082,469	112,170,140	317,252,609
Non-financial Assets measured at:						
Investment properties	11	565,177,583	-	1,212,420,246	-	1,212,420,246
		565,177,583	-	1,212,420,246	-	1,212,420,246

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 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 CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2020, on July 2, 2021.