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

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT SIX-MONTH PERIOD ENDED JUNE 30, 2021

THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT
SIX-MONTH PERIOD ENDED JUNE 30, 2021

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REVIEW REPORT

To the Board of Directors
The Lebanese Company for the Development
and Reconstruction of Beirut Central District S.A.L.
Beirut, Lebanon

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of the Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its Subsidiaries (the Group), as at June 30, 2021 and the related interim consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

(a) As explained in note 2, 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 condensed interim consolidated financial information for the six-month period ended June 30, 2021 before translating them to the presentation currency, which constitutes a departure from IFRSs. The Group did not apply IAS 29 in the preparation of their financial statements for the year ended 31 December 2020 which caused us to qualify our audit opinion on the financial statements relating to that year. Had the Group applied the requirements of IAS 29, many of the elements of the accompanying condensed interim consolidated financial information and comparative information as at 31 December 2020, would have been materially different, and disclosures would have been materially affected. The effects on the condensed interim consolidated financial information of this departure have not been determined.

(b) As explained in note 2 of the condensed interim consolidated financial information, 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 published exchange rates as disclosed in note 4 to the condensed interim consolidated financial information. In addition, the Group's condensed interim consolidated financial information are translated from the functional currency to the presentation currency in accordance with the same accounting policy at the official published exchange rate of 1 US$ / LBP 1,507.5. However, during the period, other exchange rates were introduced through legal exchange mechanisms, and several exchange rates became available, depending on the source and nature of the operation or balance. As per IAS 21, when several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

    Due to the uncertainties disclosed in notes 1 and 4 to the condensed interim consolidated financial information, management was unable to determine the rate at which the future cash flows represented by the transaction or balance could have been settled depending on its source and nature, and used the same official exchange rates disclosed in note 4 for transactions and balances and for the translation from the functional currency to the presentation currency, regardless of the source or nature of the amounts. Had the Group used the rate at which the future cashflows could have been settled, many accounts and disclosures in the condensed interim consolidated financial statements would have been materially different. The effects on the condensed interim financial statements from the departure from IAS 21 and the uncertainties relating to the appropriate exchange rates have not been determined.

Basis for Adverse Conclusion (continued)

(c) Loss on exchange is reported in the interim consolidated statement of profit or loss at US$20.7 million from the acquisition of offshore liquidity of US$7.7 million (31 December 2020: loss on exchange at US$ 22million). We were unable to obtain sufficient appropriate audit evidence about the amount of loss on exchange because we could not inspect documentation relating to the loss on exchange. Consequently, we were unable to determine whether any adjustments to this amount were necessary. Our opinion for the year ended December 31, 2020 was modified for same reason above.

(d) Cash and bank balances, which are carried in the interim consolidated statement of financial position at US$102 million, include balances deposited with banks in Lebanon which are carried at US$94.6 million and are stated net of an allowance for expected credit losses of US$15 million as at 30 June 2021 (31 December 2020: balances deposited with banks in Lebanon which are carried at US$99.5 million stated net of an allowance for expected credit losses of US$13 million). The condensed interim consolidated financial information do not include adjustments, as required by IFRS 9 – Financial instruments, to the carrying amounts of these assets and related accounts and disclosures that would result from the resolution of the uncertainties disclosed in note 1, which prevailed since the last quarter of 2019. Had such adjustments and disclosures been determined and made, many elements and related accounts and disclosures in the condensed interim consolidated financial information would have been materially different. The effect of the resolution of these uncertainties on the carrying amounts of these assets and the related accounts and disclosures in these condensed interim consolidated financial information have not been determined. Our opinion for the year ended December 31, 2020 was modified for same reason above.

(e) Investment in associates and joint ventures carried in the interim consolidated statement of financial position include, an investment in Beirut Waterfront Development S.A.L ("BWD"), a joint venture accounted for by the equity method, and a loan to the latter with a total net carrying amount of US$8.2million as at June 30, 2021 (December 31, 2020: the same). We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in BWD as at June 30, 2021 as we were unable to access the financial information of BWD. Consequently, we were unable to determine whether any adjustments to this amount were necessary. Our opinion for the year ended December 31, 2020 was modified for same reason above.

Adverse Conclusion

Our review indicates that, because of the significance of the matters referred to in the "Basis for Adverse Conclusion" section of our report, the accompanying condensed interim consolidated financial information are not prepared, in all material respects, in accordance with IAS 34.

Beirut, Lebanon
March 16, 2022

Deloitte & Touche
Deloitte & Touche

Ernst & Young
Ernst & Young

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

ASSETS	Notes	(Unaudited) June 30, 2021 US$	December 31, 2020 US$
Cash and bank balances	6	101,766,664	115,628,975
Accounts and notes receivable	7	23,248,334	55,296,118
Investment in asset-backed securities	8	-	8,439,009
Prepayments and other debit balances		44,286,195	42,432,629
Inventory of land and projects in progress		872,202,384	887,060,645
Investment properties, net		573,018,069	561,938,048
Investments in associates and joint ventures	9	326,945,602	327,559,539
Property and equipment, net		42,561,769	42,405,014
Total Assets		1,984,029,017	2,040,759,977
LIABILITIES			
Accounts payable and other liabilities		96,718,890	99,520,240
Dividends payable		57,825,655	57,993,358
Deferred revenues and other credit balances	10	86,970,190	85,712,478
Total Liabilities		241,514,735	243,226,076
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		1,650,000,000	1,650,000,000
Legal reserve		170,795,314	170,795,314
(Accumulated losses)/retained earnings		(15,672,695)	6,555,898
Cumulative foreign currency translation reserve		(27,635)	(27,523)
Less: Treasury shares		(62,580,702)	(29,789,788)
Total Equity		1,742,514,282	1,797,533,901
Total Liabilities and Equity		1,984,029,017	2,040,759,977

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

	(Unaudited) Six-Month Period Ended June 30, 2021 US$	(Unaudited) Six-Month Period Ended June 30, 2020 US$
(Loss)/profit for the period	(22,228,593)	38,066,058
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	(112)	340
Other comprehensive (loss)/income for the period	(112)	340
Total comprehensive (loss)/profit for the period	(22,228,705)	38,066,398
Attributable to:		
Equity owners of the Group	(22,228,705)	38,066,398
	(22,228,705)	38,066,398

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

	Share capital	Legal reserve	(Accumulated losses)/ retained earnings	Cumulative foreign currency translation reserve	Treasury shares	Total
	US$	US$	US$	US$	US$	US$
Balance at January 1, 2020	1,650,000,000	170,475,527	11,840,097	(28,423)	(15,000)	1,832,272,201
Total comprehensive income for the period	-	-	38,066,058	340	-	38,066,398
Treasury shares purchase	-	-	-	-	(22,218)	(22,218)
Balance as at June 30, 2020 (Unaudited)	1,650,000,000	170,475,527	49,906,155	(28,083)	(37,218)	1,870,316,381
Balance at January 1, 2021	1,650,000,000	170,795,314	6,555,898	(27,523)	(29,789,788)	1,797,533,901
Total comprehensive loss for the period	-	-	(22,228,593)	(112)	-	(22,228,705)
Treasury shares purchase	-	-	-	-	(32,790,914)	(32,790,914)
Balance as at June 30, 2021 (Unaudited)	1,650,000,000	170,795,314	(15,672,695)	(27,635)	(62,580,702)	1,742,514,282

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

	Notes	(Unaudited) Six-Month Period Ended June 30, 2021 US$	2020 US$
Cash flows from operating activities:			
(Loss) profit for the period before income tax		(22,228,593)	51,790,418
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13(a)	7,956,901	8,211,706
Loss on cancellation of previously recognized sales, net		-	1,828,125
Gain on sale and disposal of investment properties		(1,214,368)	(4,369,670)
Provision for end-of-service net indemnity and other charges, net		1,131,587	855,402
Write-back of provision for impairment of property and equipment		-	(187)
Provision for impairment of financial assets, net	12	-	17,607,506
Write-off of receivables	7c	920,926	175,761
Write-off of payables		(1,099,215)	-
Loss on rescheduled receivables		119,898	82,138
Share results of associates and joint ventures	9	713,825	7,553,056
Discount from early settlement of bank loans		-	(8,782,041)
Interest income		(10,057)	(238,141)
Interest expense	13(b)	112,450	3,357,926
Changes in working capital:			
Prepayments and other debit balances		(1,953,566)	112,368
Accounts and notes receivable		31,164,500	34,409,308
Inventory of land and projects in progress		14,858,261	131,644,893
Accounts payable and other liabilities		(2,239,638)	(6,562,144)
Deferred revenues and other credit balances		1,257,712	113,851,383
Settlements of end-of-service net indemnity and other charges, (net)		(77,862)	(153,649)
Settlements of contingencies		-	(1,765,116)
Interest received		10,057	238,141
Taxes paid		(99,793)	(5,963,455)
Net cash generated from operating activities		29,323,025	343,883,728
Cash flows from investing activities:			
Investment in asset-backed securities		10,575,521	-
Acquisition of property and equipment		(1,352,611)	(62,710)
Acquisition of investment properties		(18,894,697)	(1,558,298)
Proceeds from sale of investment properties		2,267,999	17,386,264
Proceeds from sale of property and equipment		-	187
Investments in associates and joint ventures		-	24,298
Net cash (used in) generated from investing activities		(7,403,788)	15,789,741
Cash flows from financing activities:			
Term bank loans		-	(135,199,285)
Dividends paid		(167,703)	(828,998)
Interest paid		(686,340)	(3,271,676)
Treasury shares purchase		(32,790,914)	(22,218)
Short term facilities		-	(30,000,000)
Net cash used in financing activities		(33,644,957)	(169,322,177)
Net change in cash and cash equivalents		(11,725,720)	190,351,292
Cash and cash equivalents- Beginning of the period	13(e)	128,465,664	9,323,559
Cash and cash equivalents- End of the period	13(e)	116,739,944	199,674,851

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. FORMATION AND OBJECTIVE OF THE COMPANY

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

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

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

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

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

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

The Macro Economic Environment

The 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 US$/LBP. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of the Lebanese citizens, driving a currency crisis, high inflation and rise in the consumer price index.

During 2020 in an attempt to control the high rise in prices and to compensate for the loss in the purchasing power of the Lebanese people, the Central Bank of Lebanon, through several circulars, introduced several measures. 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. A new government has been formed however, 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$7.7million during the six-month period ended June 30, 2021 from the parallel market, which rates significantly deviated from the official exchange, thus resulting in net loss on exchange of US$20.7million (December 31, 2020: loss on exchange at US$ 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. 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. 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 for the year ended 31 December 2020 and allocated between US$13.9million related to real estate development projects, US$7.4million investment properties and US$400thousand property and equipment.

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. BASIS OF PREPARATION AND PRESENTATION

The condensed interim consolidated financial information for the six-month period ended June 30, 2021 has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim consolidated financial information does not include all the information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020. Further, results for interim period are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2021.

The condensed interim consolidated financial information 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 accounting policies adopted in the preparation of the condensed interim consolidated financial information are consistent with the accounting policies adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of the amendments to IFRSs that are effective for annual accounting periods starting from January 1, 2021, which did not have any material impact on the accounting policies, financial position or performance of the Group.

Hyperinflation in Lebanon

As of December 31, 2020, all conditions have been met for the Group's financial statements for the year end such date 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 increase of consumer price index of 287% and 101% respectively as of June 2021 (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 have 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) 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 also 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 condensed interim consolidated financial information, 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 condensed interim consolidated financial information. 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 condensed interim consolidated financial information including its interim consolidated statement of financial position, income statement, statement of comprehensive income and statement of cash flows.

The Group uses the official exchange rate of 1,507.5 US$/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" and the "Sayrafa Rate", the Lebanese market has witnessed multiple pricing and valuations of balances receivable and payable and operations in foreign currencies, depending on the settlement method.

Accordingly, the 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 condensed interim consolidated financial information.

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 highly 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 condensed interim consolidated financial information 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.

3. BASIS OF CONSOLIDATION

The condensed interim consolidated financial information incorporates 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 June 30, 2021. 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 parent 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised 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
Solidere Management Services S.A.L.	100	June 2006	Real Estate Management
Solidere Management Services (Offshore) S.A.L.	100	March 2007	Dormant
Solidere International Holdings S.A.L.	100	May 2007	Holding
BHC Holding S.A.L.	100	March 2010	Holding

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 estimates and underlying assumptions made by the Group's management for the preparation of the condensed interim consolidated financial information are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended December 31, 2020.

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 condensed interim consolidated financial information continue to be prepared on the going concern basis.

Transactions and balances in foreign currencies

Assets and liabilities in foreign currency, transactions in foreign currency and foreign currency translation reserves, regardless of whether they are onshore or offshore, were reflected in these financial statements at the official published exchange rate as follows.

The table below presents the exchange rates of the currencies used to translate assets, liabilities and statement of income items in foreign currencies and those of foreign subsidiaries:

	2021		*2020*	
	Rate as at 30 June LBP	***Average rate for the six-month period ended 30 June LBP***	*Rate as at 31 December LBP*	*Average rate for the six-month period ended 30 June LBP*
US Dollar	**1,507.5**	**1,507.5**	1,507.5	1,507.5
Euro	**1,793.62**	**1,818.95**	1,851.21	1,689.15

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

- On 21 April 2020 the Central Bank of Lebanon issued Basic Circular 151 concerning depositors who wish to withdraw amounts of cash from their "local" foreign currencies accounts as per the Platform Rate up to limits set by their bank. The limits set by the banks in Lebanon had monthly averages of US$ 3,000 per bank account. The "Platform Rate" was 1 US$ / LBP 3,900 throughout the period from the issuance of the circular and up to 30 June 2021. Subsequent to period end, during December 2021, it was increased to 1 US$ / LBP 8,000.

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

	2021		*2020*	
	Rate as at 30 June LBP	***Average rate for the period from 10 May to 30 June LBP***	*Rate as at 31 December LBP*	*Average rate for the six-month period ended 30 June LBP*
US Dollar	**12,000**	**12,000**	N/A	N/A

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

- On 8 June 2021, the Central Bank of Lebanon issued Basic Circular 158 defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000, noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

Since the emergence of the parallel market and since the introduction by the Central Bank of Lebanon of the "Sayrafa Rate" and "Platform Rate", the Lebanese market has witnessed multiple pricing and valuations of balances receivable and payable and operations in foreign currencies. Because of the gap between the several exchange rates available, the number of variables and assumptions affecting the possible future resolution of the uncertainties is very high, increasing the subjectivity and complexity of the judgment and management was unable to determine the rate at which the future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Group uses the official published exchange rate of 1,507.5 USD/LBP to translate all balances and transactions in foreign currencies regardless of their source or nature. The Groups is also translating the interim condensed financial information from the functional currency to the presentation currency at the official published exchange rate. This does not represent a reasonable estimate of expected cash flows that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or of the financial statements. The impact of the translation of the assets and liabilities in foreign currencies and the impact of the translation of the Group's financial statements from the functional currency to the presentation currency at a different rate is expected to be significant and will be reflected in the Group's financial statements once the revamping of the peg is implemented by the Lebanese government.

5. OPERATING SEGMENTS

For management purposes, the Group is organized into business units according to their operations and has three 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 condensed interim consolidated financial information.

	(Unaudited) June 30, 2021			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	1,511,934,120	575,118,254	(103,023,357)	1,984,029,017
Total liabilities	169,843,620	71,847,807	(176,692)	241,514,735
Revenues	39,225,000	14,781,242	(373,573)	53,632,669
Cost of revenues	(18,900,000)	(18,409,847)	-	(37,309,847)
Gain on sale and disposal of investment properties, net	-	1,214,368	-	1,214,368
Net revenues from operations	20,325,000	(2,414,237)	(373,573)	17,537,190
Share results of associates and joint ventures	-	(713,825)	-	(713,825)
General and administrative expenses	(15,320,606)	(1,723,262)	373,573	(16,670,295)
Selling expenses	(504,567)	-	-	(504,567)
Depreciation of property and equipment	(1,053,821)	(342,035)	200,000	(1,195,856)
Write-off of receivables	-	(920,926)	-	(920,926)
Write-off of payables	-	1,099,215	-	1,099,215
Loss on rescheduled receivables	(119,898)	-	-	(119,898)
Other expenses	(2,372)	(11,543)	-	(13,915)
Other income	-	43,942	-	43,942
Interest income	10,057	-	-	10,057
Interest expense	(91,193)	(21,257)	-	(112,450)
Loss on exchange, net	(20,138,068)	(529,197)	-	(20,667,265)
Loss before tax	(16,895,468)	(5,533,125)	200,000	(22,228,593)
Income tax expense	-	-	-	-
Loss for the period	(16,895,468)	(5,533,125)	200,000	(22,228,593)

	(Unaudited) June 30, 2020			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	1,719,630,424	582,704,791	(94,133,768)	2,208,201,447
Total liabilities	247,503,264	93,372,962	(2,991,160)	337,885,066
Revenues	228,747,400	17,311,253	(965,162)	245,093,491
Cost of revenues	(142,569,614)	(16,314,265)	1,873,046	(157,010,833)
Gain on sale and disposal of investment properties, net	-	4,369,670	-	4,369,670
Net revenues from operations	86,177,786	5,366,658	907,884	92,452,328
Share results of associates and joint ventures	-	(7,553,056)	-	(7,553,056)
General and administrative expenses	(10,547,138)	(1,204,674)	(919,684)	(12,671,496)
Selling expenses	(3,954,618)	-	-	(3,954,618)
Depreciation of property and equipment	(1,293,546)	(369,145)	223,090	(1,439,601)
Write-off of receivables	(175,761)	-	-	(175,761)
Loss on rescheduled receivables	(82,138)	-	-	(82,138)
Provision for impairment of financial assets, net	(9,293,107)	(8,314,399)	-	(17,607,506)
Write-back on impairment of property and equipment, net	-	187	-	187
Other expenses	(500,000)	-	-	(500,000)
Other income	40,600	7,284	39,014	86,898
Taxes, fees and stamps	(914,612)	(4,958)	-	(919,570)
Discount from early settlement of bank loans	8,782,041	-	-	8,782,041
Interest income	230,544	7,597	-	238,141
Interest expense	(3,350,318)	(7,608)	-	(3,357,926)
Loss on exchange, net	(1,507,486)	(19)	-	(1,507,505)
Profit/(loss) before tax	63,612,247	(12,072,133)	250,304	51,790,418
Income tax expense	(13,721,060)	(3,300)	-	(13,724,360)
Profit/(loss) for the period	49,891,187	(12,075,433)	250,304	38,066,058

6. CASH AND BANK BALANCES

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Cash on hand	2,749,841	1,303,470
Checks for collection	327,520	366,642
Current accounts	101,414,743	121,426,918
Short-term deposits	12,247,840	5,368,634
	116,739,944	128,465,664
Less: allowance for credit losses	(14,973,280)	(12,836,689)
	101,766,664	115,628,975

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

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Balance at the beginning of the period/year	12,836,689	7,836,689
Reclassification from investment in asset-backed securities (Note 8)	2,136,591	-
Additions, net (Note 12)	-	5,000,000
Balance at the end of the period/year	14,973,280	12,836,689

Short-term deposits mature within three months. The average yield on the term deposits for the six-months period ended June 30, 2021 was approximately 0.1% (1.08% for the year ended December 31, 2020).

Total exposure for the period ended June 30, 2021 is detailed as follows:

	Local Banks	Foreign Banks	Total
	US$	US$	US$
Current accounts	94,360,647	7,054,096	101,414,743
Short term deposits	267,840	11,980,000	12,247,840
	94,628,487	19,034,096	113,662,583

Local bank balances are denominated as follows:

	Current accounts	Short term deposits	Total
	US$	US$	US$
US Dollars	87,911,062	267,840	88,178,902
Lebanese Pound	6,430,633	-	6,430,633
GBPs	14,434	-	14,434
Euros	4,518	-	4,518
	94,360,647	267,840	94,628,487

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

	Local Banks US$	Foreign Banks US$	Total 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 US$	Short term deposits US$	Total 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$ 88,002.044 as at June 30, 2021 (December 31, 2020: US$109,088,991) 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 RECEIVABLE

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Notes receivable (a)	63,085,704	87,463,704
Accounts receivable (b)	14,768,913	14,786,525
Less: Unearned interest	(8,420,225)	(8,300,327)
Less: Allowance for impairment on notes and accounts receivable (d)	(48,053,606)	(52,170,021)
	21,380,786	41,779,881
Receivables from tenants (c)	47,119,325	43,057,385
Less: Allowance for impairment on receivable from tenants (d)	(45,251,777)	(41,820,196)
	1,867,548	1,237,189
Reserve account and deferred charges on BCD 1 Fund (Note 8)	-	12,279,048
Reserve account and deferred charges on BCD 2 Fund (Note 8)	-	-
	-	12,279,048
	23,248,334	55,296,118

The Group's credit risk exposure in notes receivable is spread over 6 counter-parties; 3 customers constitute 95% of the total exposure and 3 customers constitute the remaining 5% as at June 30, 2021 (8 counter-parties; 4 customers constitute 96% of the total exposure and 4 customers constitute the remaining 4% as of December 31, 2020).

The Group's credit exposure in receivables from tenants is spread over a large number of counter-parties; with 3 tenants constituting 60% of the total exposure as of June 30, 2021 (3 tenants constitute 60% of the total exposure as of December 31, 2020).

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

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Doubtful balances	53,912,853	63,207,704
Overdue but not impaired	9,172,851	24,178,000
2021 and above	-	78,000
	63,085,704	87,463,704

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

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Doubtful balances	13,619,778	12,751,360
Overdue but not impaired	1,149,135	2,035,165
	14,768,913	14,786,525

(c) Receivables from tenants includes an amount of US$25,949,879 as at June 30, 2021 (US$22,886,200 as of December 31, 2020) due from the Lebanese Ministry of Foreign Affairs and Immigrants in respect of the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia – ESCWA.

During the six-month period ended June 30, 2021, the Group wrote-off long outstanding receivables of US$920,926 (US$175,761 during the six-month period ended June 30, 2020) recorded under "Write-off of receivables" in the condensed interim consolidated statement of profit or loss.

(d) The movement of the allowance for credit losses of receivables is as follows:

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Balance at the beginning of the period/year	93,990,217	106,147,295
Additions, net	-	17,375,394
Write-off (d.1)	(527,500)	(31,541,407)
Reallocation of provisions provided in prior years	(157,334)	2,008,935
Balance at the end of the period/year	93,305,383	93,990,217

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

During 2020, and following the settlement agreements reached, 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. In addition, the Group wrote-off doubtful receivables from tenants in the amount of US$969,707 during 2020 that were already provided for earlier.

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 inception, a restructuring of the BCD 2 fund securities took place, whereas US$4.6million worth of Class A Notes and US$18.8 million 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 (Unaudited) June 30, 2021	Carrying Amount December 31, 2020	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
Class C	10,160,450	10,160,450	-	10,160,450	-
	185,160,450	83,160,450	-	15,539,009	
Allowance for expected credit losses	-	-	-	(7,100,000)	
BCD 2:					
Class A	56,777,280	6,546,883	-	-	7
Class B	24,333,120	24,333,120	-	-	-
	81,110,400	30,880,003	-	-	
Allowance for expected credit losses	-	-	-	-	
	266,270,850	114,040,453	-	8,439,009	

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 semi-annually 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 and the outstanding reserve account balance decreased to US$30,068 as at December 31, 2020.

The movement of the reserve account receivable from BCD 1 Fund presented under "Accounts and notes receivable, net" (Note 7), is as follows:

	(Unaudited) June 30, 2021	**December 31, 2020**
	US$	**US$**
Balance at the beginning of the period/year	30,068	407,600
Used to cover shortfall in principal and interest	-	(377,532)
Write-off upon final liquidation	(30,068)	-
Balance at the end of the period/year	-	30,068

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

	(Unaudited) June 30, 2021	**December 31, 2020**
	US$	**US$**
Balance, beginning of the period/year	12,248,980	11,871,448
Withdrawals from reserve BCD 1 Fund	-	377,532
Write-off upon final liquidation	(12,248,980)	-
Balance, end of the period/year	-	12,248,980

During the meeting held on December 25, 2020, the Unitholders' Assembly of BCD 1 Fund decided to sell the mortgage of the remaining asset held by the Fund to a local Bank against a payment of US$15million settled on December 30, 2020 on 6 monthly deposits of US$1.38million each starting on January 2021 till June 30, 2021 to be deposited in the Fund's bank account. The balance was fully settled during 2021 and remaining provision amounting to US$ 2.14million was reallocated to allowance for expected credit losses on bank balances (Note 6).

BCD 2 Fund:

Class A and B Notes are redeemable on a pro rata basis on each quarterly payment date, subject to available amounts at the bank accounts. 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.

During 2019, an additional cash injection amounting to US$2,600,000 was added to the reserve account to cover shortfall in payments. During 2020, an amount of US$515,466 was used to cover the shortfall in payments

The movement of the reserve account receivable from BCD 2 Fund presented under "Accounts and notes receivable, net" (Note 7), is as follows:

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Balance at the beginning of the period/year	-	2,492,118
To cover shortfall in payments of principal and interest	-	(515,466)
Write-off upon final liquidation	-	(1,976,652)
Balance at the end of the period/year	-	-

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

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Balance at the beginning of the period/year	-	7,286,851
Withdrawals from reserve BCD 2 Fund	-	515,466
Write-off upon final liquidation	-	(7,802,317)
Balance at the end of the period/year	-	-

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.

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	(Unaudited) June 30, 2021 US$	December 31, 2020 US$
Investment in Solidere International PLC (Associate)	317,477,132	318,102,324
Investment in BCD Cinemas S.A.L. (Associate)	1,027,942	1,027,942
Investment in Beirut Waterfront Development S.A.L. (Joint Venture)	(14,603,533)	(14,603,533)
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)	(233,274)	(144,529)
Investment in STOW Waterfront Holding S.A.L.	506,000	506,000
	304,195,602	304,909,539
Long-term loan to Beirut Waterfront Development S.A.L. (Joint Venture)	36,540,000	36,540,000
Less: Provision for impairment	(13,790,000)	(13,890,000)
	326,945,602	327,559,539

The movement in investments in associates and joint ventures is as follows:

	(Unaudited) June 30, 2021 US$	December 31, 2020 US$
Balance at the beginning of the period/year	327,559,539	351,151,080
Decrease in investment in STOW Waterfront Holding S.A.L	-	(24,298)
Decrease in investment in Solidere International PLC due to share-buyback	-	(52,281)
Share of other comprehensive income of associates	-	10,945,546
Share of the results of associates and joint ventures	(713,825)	(34,461,408)
Reallocation of provision for impairment	100,000	-
Foreign currency translation reserve	(112)	900
Balance at the end of the period/year	326,945,602	327,559,539

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

	Country of Incorporation	Ownership Interest	June 30, 2021 At Cost	June 30, 2021 Group's Share of Equity	December 31, 2020 At Cost	December 31, 2020 Group's Share of Equity
		%	US$	US$	US$	US$
Solidere International PLC (Associate)	UAE	41.00	213,625,788	317,477,132	213,625,788	318,102,324
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. (Joint Venture)	Lebanon	50.00	11,385,075	(14,603,533)	11,385,075	(14,603,533)
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	(233,274)	4,877	(144,529)
STOW Waterfront Holding S.A.L.	Lebanon	1.68	506,000	506,000	506,000	506,000
			225,538,740	304,195,602	225,538,740	304,909,539

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

	Six-Month Period Ended June 30, 2021 (Unaudited)			
	Solidere International PLC	Beirut Waterfront Development S.A.L.	Other Associates and Joint Ventures	Total
	US$	US$	US$	US$
Total Revenue	1,165,915	-	-	1,165,915
Total Cost of Revenue	(768,629)	-	-	(768,629)
Loss for the period	(1,524,583)	-	-	(1,524,583)
Group's share of results loss	**(625,079)**	**-**	**(88,746)**	**(713,825)**

	Six-Month Period Ended June 30, 2020 (Unaudited)			
	Solidere International PLC	Beirut Waterfront Development S.A.L.	Other Associates and Joint Ventures	Total
	US$	US$	US$	US$
Total Revenue	8,360,720	3,787,837	1,571,653	13,720,210
Total Cost of Revenue	(669,854)	(3,901,690)	(2,061,811)	(6,633,355)
Loss for the period	(15,308,169)	(2,354,495)	(990,886)	(18,653,550)
Group's share of results loss	**(5,970,444)**	**(1,174,617)**	**(368,981)**	**(7,514,042)**

10. DEFERRED REVENUES AND OTHER CREDIT BALANCES

	(Unaudited) June 30, 2021 US$	December 31, 2020 US$
Cash down payments and commitments on sale contracts	65,948,449	65,396,772
Unrealized gain on sale of properties to a joint venture	10,750,000	10,750,000
Deferred rental revenue and related deposits	10,271,741	9,565,706
	86,970,190	85,712,478

11. 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 following table shows the income and share data used to calculate earnings per share:

	(Unaudited) June 30, 2021 US$	(Unaudited) June 30, 2020 US$
Net (loss) profit for the period	(22,228,593)	38,066,058
Weighted average number of shares	162,451,546	165,000,000
Basic/diluted (loss)/earnings per share	(0.1368)	0.2307

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

12. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS, NET

	(Unaudited) Six Month Ended June 30,	
	2020	2020
	US$	US$
Allowance for credit losses on bank balances	-	5,000,000
Allowance for credit losses on BCD Cinemas receivable	-	2,199,721
Allowance for credit losses on other debit balances	-	4,008,391
Allowance for credit losses Beirut Souks receivable	-	2,106,287
Provision for cancelation of land sales contracts	-	4,293,107
	-	17,607,506

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Depreciation was applied as follows:

	(Unaudited) Six Month Ended June 30,	
	2021	2020
	US$	US$
Depreciation of property and equipment	1,195,856	1,439,601
Depreciation of investment properties	6,761,045	6,772,105
	7,956,901	8,211,706

(b) Interest expense consists of the following:

	(Unaudited) Six Month Ended June 30,	
	2021	2020
	US$	US$
Interest charged as period cost	112,450	3,357,926
Interest expense allocated to inventory of land and projects in progress	-	107,849
Total interest expense	112,450	3,465,775

(c) Non-cash transactions in investing activities for the six-month period ended June 30, 2021, include cumulative foreign currency translation reserve in the amount of US$112 (US$340 for the six-month period ended June 30, 2020) which was excluded from investments in associates and joint ventures against cumulative foreign currency translation reserve under equity.

Also, during the six-month period ended June 30, 2021, the following non-cash items were excluded from the operating and investing activities in the statement of cash flows:

- Decrease of US$100,000 in "prepayments and other debit balances" against an increase in "Investment in associates and joint ventures".
- Increase of US$157,334 in "accounts and notes receivable, net" against an increase in "accounts payable and other liabilities.
- Increase of US$2,136,512 in "investment in asset-backed securities" against a decrease in "Cash and bank balances".

(d) Changes in liabilities arising from financing activities:

	(Unaudited) Six Month Ended June 30,	
	2021	2020
	US$	US$
Total liabilities from financing activities at January 1	-	185,481,298
Repayment	-	(165,199,285)
Discount from early settlement of bank loans	-	(8,782,041)
Total liabilities from financing activities at June 30	-	11,499,972

(e) Cash and cash equivalents comprise the following:

	(Unaudited) Six Month Ended June 30,	
	2021	2020
	US$	US$
Cash on hand	2,749,841	1,885,116
Checks for collection	327,520	177,846
Current accounts	101,414,743	196,797,658
Short term deposits	12,247,840	951,476
Bank overdrafts	-	(137,245)
	116,739,944	199,674,851

	Year Ended 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
Bank overdrafts	-	(18,958,855)
	128,465,664	9,323,559

14. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group 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.

The following table provides the outstanding balances due from related parties for the relevant financial period/year:

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
Solidere International PLC (Associate)	32,261	32,261
City Makers S.A.R.L (Related Party)	65,417	56,359
BCD Cinemas S.A.L. (Associate)	2,465,372	2,384,386
Beirut Waterfront Development S.A.L. (Joint Venture)	29,740,030	29,876,765
ASB - Downtown S.A.L. (Associate)	241,693	241,881
	32,544,773	32,591,652
Less: Allowance for credit losses on BCD Cinemas S.A.L. (Associate)	(2,299,721)	(2,441,602)
	30,245,052	30,150,050

The following table provides the outstanding balances due to related parties for the relevant financial period/year:

	(Unaudited) June 30, 2021	December 31, 2020
	US$	US$
GroupMed Insurance and Reinsurance Company S.A.L.	-	517,938

Investments in associates and joint ventures are disclosed in note 9.

Cash and bank balances include US$89,182,064 as at June 30, 2021 (US$112,208,550 as of December 31, 2020) representing current bank accounts and short term deposits with local banks who are significant but minority shareholders of the Group.

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

Included under "Interest expense" in the condensed interim consolidated statement of profit or loss is an amount of US$923,269 for the six-month period ended June 30, 2020 representing interest expense on bank overdrafts, short term facilities and term loans with a local bank who is a significant but minority shareholder of the Group.

Included under "Discount from early settlement of bank loans" in the condensed interim consolidated statement of profit or loss is an amount of US$2million for the six-month period ended June 30, 2020 representing discount on early settlement of term bank loan with a local bank who is significant but minority shareholder of the Group.

Total benefits of executives and members of the Board of Directors (including salary, bonus, termination and others) included within "General and administrative expenses", for the period ended June 30, 2021 amounted to US$1,232,000 (US$1,247,000 for the period ended June 30, 2020).

During the six-month period ended June 30, 2020, the Group cancelled a land sale contract with one of the members of the Board of Directors amounting to US$2million.

During 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. Subsequent to June 30, 2021, the balance due was fully settled through the acquisition of the apartments and parking as agreed during 2020.

During the six-month period ended June 30, 2021, the Group purchased treasury shares through a related party and paid an aggregate amount of US$55,118 as trading commission fees (December 31, 2020: US$ 52,000).

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

15. 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 608,000Sqm) against the execution by the Group of the sea landfill and infrastructure works.

(b) The total cost of the BCD projects, as updated on December 31, 2020, has been estimated by management to be approximately US$2.3billion. This amount is used as a base for the determination of cost of sales. It is to be noted that the cost already disbursed exceeded 92% of this estimate.

(c) Commitments for contracted works not executed as at June 30, 2021 amounted to approximately US$11.33million (US$13.9million as of December 31, 2020).

(d) In prior periods, the Group has submitted to the "CDR" claims aggregating 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 condensed interim consolidated financial information.

(e) The Group is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors and other parties. 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 condition of the Group.

(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 has already been paid and accounted for and the balance of US$13.8million 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 and has not been reflected in the accompanying condensed interim consolidated financial information.

(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 condensed interim consolidated financial information.

(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 condensed interim consolidated financial information.

(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 condensed interim consolidated financial information.

(j) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US$2,310,142 as of June 30, 2021 (US$2,318,844 as of December 31, 2020).

(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 in form 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.

16. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

ASSETS	(Unaudited) June 30, 2021 US$	December 31, 2020 US$
Current Assets		
Cash and banks balances	101,766,664	115,628,975
Accounts and notes receivables- Current portion	23,248,334	55,296,118
Prepayments and other debit balances - Current portion	44,286,195	11,069,379
Investment in assets-backed securities - Current portion	-	8,439,009
Total Current Assets	169,301,193	190,433,481
Non-Current Assets		
Prepayments and other debit balances - Non-current portion	-	31,363,250
Inventory of land and projects in progress	872,202,384	887,060,645
Investment properties, net	573,018,069	561,938,048
Investment in joint ventures and associates	326,945,602	327,559,539
Property and equipment, net	42,561,769	42,405,014
Total Non-Current Assets	1,814,727,824	1,850,326,496
TOTAL ASSETS	**1,984,029,017**	**2,040,759,977**
LIABILITIES		
Current Liabilities		
Accounts payable and other liabilities - Current portion	51,849,733	54,920,847
Dividends payable	57,825,655	57,993,358
Deferred revenue and other credit balances - Current portion	76,220,190	74,962,478
Total Current Liabilities	185,895,578	187,876,683
Non-Current Liabilities		
Accounts payable and other liabilities - Non-current position	44,869,157	44,599,393
Deferred revenue and other credit balances - Non-current position	10,750,000	10,750,000
Total Non-Current Liabilities	55,619,157	55,349,393
TOTAL LIABILITIES	**241,514,735**	**243,226,076**
EQUITY		
Issued capital at par value US$10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	1,650,000,000	1,650,000,000
Legal reserve	170,795,314	170,795,314
(Accumulated losses)/retained earnings	(15,672,695)	6,555,898
Cumulative foreign currency translation reserve	(27,635)	(27,523)
Less: Treasury shares	(62,580,702)	(29,789,788)
Total Equity	**1,742,514,282**	**1,797,533,901**
TOTAL LIABILITIES AND EQUITY	**1,984,029,017**	**2,040,759,977**

17. FAIR VALUE MEASUREMENT

The Group's financial assets and liabilities are measured at amortized cost.

The fair value of investment properties as at June 30, 2021 amounted to approximately USD2.8billion assuming payments within Lebanon through check on local bank transfer based on estimation performed during the first quarter of 2021. This is classified as Level 2 in the fair value hierarchy.

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 by management based on market comparability approach.

18. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the condensed interim consolidated financial information for the six-month period ended June 30, 2021, on February 11, 2022.