

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, 2019

THE LEBANESE COMPANY FOR THE DEVELOPMENT  
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
SIX-MONTH PERIOD ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Review Report	1
Condensed Interim Financial Information:	
Interim Consolidated Statement of Financial Position	2
Interim Consolidated Statement of Profit or Loss	3
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Interim Consolidated Statement of Changes in Equity	5
Interim Consolidated Statement of Cash Flows	6
Notes to the Condensed Interim Consolidated Financial Information	7-29



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

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



Ernst & Young p.c.c.  
Starco Building  
South Block B - 9<sup>th</sup> Floor  
! Ina El Hosn, Omar Daouk Street, Beirut  
P.O. Box 11-1639, Riad El Solh  
1107 2090, Lebanon

Tel: +961 1 760 800  
Fa.: +961 1 760 822/3  
beirut@lb.ej.com  
ej.com/mena  
C.R. 61

## 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, 2019 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 other explanatory information. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the 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 and consequently 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.

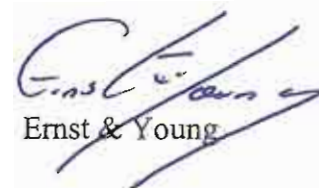
### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared in all material respects in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Beirut, Lebanon  
October 14, 2019



Deloitte & Touche



Ernst & Young

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

<u>ASSETS</u>	<u>Notes</u>	(Unaudited) June 30, 2019 US\$	December 31, 2018 US\$
Cash and banks balances	.	19,250,766	27,022,443
Prepayments and other debit balances	.	19,614,176	53,187,444
Accounts and notes receivables, net	6	111,633,627	146,576,628
Investment in asset-backed securities	8	13,299,707	19,699,377
Inventory of land and projects in progress	.	1,155,010,832	1,204,900,740
Investment properties, net	.	579,471,142	584,461,261
Investment in associates and joint ventures	7	381,133,088	397,598,001
Fixed assets, net	.	47,554,386	48,527,466
<b>Total Assets</b>		<b>2,326,967,724</b>	<b>2,481,973,360</b>
<b><u>LIABILITIES</u></b>			
Bank overdrafts and short term facilities		64,331,654	122,051,954
Accounts payable and other liabilities		114,622,845	124,835,005
Dividends payable		59,264,369	59,513,187
Deferred revenue and other credit balances		48,700,597	30,652,467
Loans from banks and financial institutions		214,596,753	361,597,531
<b>Total Liabilities</b>		<b>501,516,218</b>	<b>698,650,144</b>
<b><u>EQUITY</u></b>			
Issued capital at par value US\$10 per share:			
100,000,000 clase (A) shares		1,000,000,000	1,000,000,000
65,000,000 clase (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve		170,474,545	170,474,545
Retained earnings/(accumulated losses)		5,014,638	(37,126,676)
Cumulative foreign currency translation reserve		(22,677)	(24,653)
Less: Treasury shares		(15,000)	-
<b>Total Equity</b>		<b>1,825,451,506</b>	<b>1,783,323,216</b>
<b>Total Liabilities and Equity</b>		<b>2,326,967,724</b>	<b>2,481,973,360</b>

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

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

	Notes	(Unaudited) six month period	
		Ended June 30,	
		2019	2018
		US\$	US\$
Revenues from land sales		151,055,600	-
Revenues from rented properties		27,218,755	29,507,294
Revenues from rendered services		3,924,827	4,000,361
Revenues from hospitality		-	1,302
Total revenues		<u>182,199,182</u>	<u>33,508,957</u>
Cost of land sales		(67,719,862)	-
Depreciation of and charges on rented properties		(10,414,213)	(14,021,205)
Cost of rendered services		(2,706,896)	(2,585,414)
Cost of hospitality		-	(10,823)
Total cost of revenues		<u>(80,840,971)</u>	<u>(16,617,442)</u>
Gain on sale and disposal of investment properties		105,457	238,165
Net revenues from operations		101,463,668	17,129,680
Share of results of associates and joint ventures	7	(16,491,185)	(12,711,181)
General and administrative expenses		(12,543,541)	(14,127,596)
Depreciation of fixed assets		(1,299,773)	(1,386,927)
Write-off of receivables	6	(83,676)	(419,949)
Loss on rescheduled receivables		(1,378,390)	(1,297,164)
Write-back/(provision for impairment), (net)		869,325	(78,665,927)
Provision for contingencies		(500,000)	(500,000)
Write-back on impairment of fixed assets		7,173	-
Other expense		(2,929)	(2,248,236)
Other income		242,841	357,623
Taxes, fees and stamps		(237,588)	(128,590)
Interest income		733,104	8,220,737
Interest expense		(15,665,445)	(16,427,053)
Loss on exchange		(34,403)	(134,976)
Profit/(loss) before tax		55,079,181	(102,339,559)
Income tax (expense)/benefit		(12,937,867)	3,236,426
Profit/(loss) for the period		<u>42,141,314</u>	<u>(99,103,133)</u>
Basic/diluted earnings per share	9	<u>0.2554</u>	<u>(0.6006)</u>
<b>Attributable to:</b>			
Equity owners of the Company		<u>42,141,314</u>	<u>(99,103,133)</u>
Profit/(loss) for the period		<u>42,141,314</u>	<u>(99,103,133)</u>

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

**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**

	<b>(Unaudited) six month period</b>	
	<b>Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
Profit/(loss) for the period	42,141,314	(99,103,133)
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation reserve	1,976	41,940
Other comprehensive income for the period	1,976	41,940
Total comprehensive profit/(loss) for the period	42,143,290	(99,061,193)
<b>Attributable to:</b>		
Equity owners of the Company	42,143,290	(99,061,193)
	42,143,290	(99,061,193)

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

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

	Share Capital US\$	Legal Reserve US\$	Retained Earnings US\$	Cumulative Foreign Currency Translation Reserve US\$	Treasury Shares US\$	Total US\$	Non- controlling Interest US\$	Total US\$
Balance at January 1, 2018	1,650,000,000	170,466,705	79,471,651	(66,468)	-	1,899,871,888	-	1,899,871,888
Impact for adopting IFRS9 at January 1, 2018	-	-	(280,313)	-	-	(280,313)	-	(280,313)
<b>Restated balance at January 1, 2018</b>	1,650,000,000	170,466,705	79,191,338	(66,468)	-	1,899,591,575	-	1,899,591,575
Prior year adjustments	-	(29,734)	(359,390)	-	-	(389,124)	-	(389,124)
Total comprehensive loss	-	-	(99,103,133)	41,940	-	(99,061,193)	-	(99,061,193)
Balance as at June 30, 2018 (Unaudited)	1,650,000,000	170,436,971	(20,271,185)	(24,528)	-	1,800,141,258	-	1,800,141,258
Balance at January 1, 2019	1,650,000,000	170,474,545	(37,126,676)	(24,653)	-	1,783,323,216	-	1,783,323,216
Total comprehensive income	-	-	42,141,314	1,976	-	42,143,290	-	42,143,290
Treasury shares purchase	-	-	-	-	(15,000)	(15,000)	-	(15,000)
Balance as at June 2019 (Unaudited)	1,650,000,000	170,474,545	5,014,638	(22,677)	(15,000)	1,825,451,506	-	1,825,451,506

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

**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,	
		2019	2018
		US\$	US\$
Cash flows from operating activities			
Profit/(loss) for the period before income tax		55,079,181	(102,339,559)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10(a)	8,210,252	8,241,122
Gain on sale of investment properties		(105,457)	(238,165)
Loss on sale of fixed asset		2,895	-
Provision for end-of-service net indemnity and other charges, (net)		623,496	634,358
Provision for contingencies		500,000	500,000
Write-back of provision for impairment of fixed assets		(7,173)	-
(Write-back of)/provision for impairment, (net)		(869,325)	78,665,927
Write-off of receivables	6	83,676	419,949
Loss on rescheduled receivables		1,378,390	1,297,164
Share of result of associates and joint ventures	7	16,491,185	12,711,181
Interest income		(733,104)	(8,220,737)
Interest expense	10(b)	16,287,413	17,090,123
Changes in working capital:			
Prepayments and other debit balances		27,460,158	3,525,241
Accounts and notes receivable		32,100,260	116,686,518
Inventory of land and projects in progress		49,889,908	(30,007,098)
Accounts payable and other liabilities		(846,885)	(24,068,292)
Deferred revenues and other credit balances		18,048,130	2,016,423
Settlements of end-of-service net indemnity and other charges, (net)		(1,465,148)	(510,796)
Settlements of contingencies		(4,562,493)	(3,583,428)
Interest received		684,169	8,594,612
Income tax paid		(9,273,353)	(6,634)
Net cash generated by operating activities		<u>208,976,175</u>	<u>81,407,909</u>
Cash flows from investing activities:			
Investment in asset-backed securities		6,399,670	(49,363,831)
Acquisition of fixed assets		(326,693)	(429,963)
Acquisition of investment properties		(3,097,303)	(3,178,482)
Proceeds from sale of investment properties		1,282,400	500,000
Proceeds from sale of fixed assets		4,278	-
Investments in associates and joint ventures	10(c)	(24,296)	41,495
Net cash provided by/(used in) investing activities		<u>4,238,056</u>	<u>(52,430,781)</u>
Cash flows from financing activities:			
Loans from banks and financial institutions		(147,000,778)	(24,418,814)
Dividends paid		(248,818)	(449,163)
Interest paid		(16,001,028)	(16,152,437)
Treasury shares purchase		(15,000)	-
Short term bank facilities		(32,913,554)	-
Net cash used in financing activities		<u>(196,179,178)</u>	<u>(41,020,414)</u>
Net change in cash and cash equivalents		17,035,053	(12,043,286)
Cash and cash equivalents- Beginning of the period	10(d)	(31,958,605)	(43,537,041)
Cash and cash equivalents- End of the period	10(d)	<u>(14,923,552)</u>	<u>(55,580,327)</u>

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



**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION  
OF BEIRUT CENTRAL DISTRICT S.A.L.  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
SIX-MONTH PERIOD ENDED JUNE 30, 2019**

**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 25 years, beginning from the date of establishment. An extraordinary general assembly dated June 29, 1998 resolved to amend the duration of the Company to be 75 years beginning from the date of establishment. During 2005, the Council of Ministers approved the extension of the duration of the Company for 10 years.

The Company, based on law No.117/91 mentioned above, was exempt from income tax for a period of ten years beginning on the date of formation. As such beginning May 10, 2004, the Company became subject to income tax.

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. In its meeting held on December 1, 2016, the Board of Directors approved the delisting of the Company’s GDR’s from the London Stock Exchange. On August 14, 2017, the holders of the GDR’s were notified by the Depositary that the existing GDR facility will be terminated effective August 25, 2017. The delisting was finalized prior to 2017 year end.

## **2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

The accounting policies adopted in the current period are consistent with those of the previous year's financial year, except of the following new and revised standards and interpretations effective as of January 1, 2019, noted below:

### ***IFRS 16 Leases***

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group does not have any lease contracts and as such the application of IFRS 16 did not have any impact of the condensed interim consolidated financial information of the Group.

### ***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the condensed interim consolidated financial information of the Group.

***Amendments to IFRS 9: Prepayment Features with Negative Compensation***

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the condensed interim consolidated financial information of the Group.

***Amendments to IAS 28: Long-term interests in associates and joint ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. These amendments had no impact on the condensed interim consolidated financial information as the Group does not have long-term interests in its associate and joint venture.

***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the condensed interim consolidated financial information of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

### *Annual Improvements 2015-2017 Cycle*

#### **• IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the condensed interim consolidated financial information of the Group as there is no transaction where a joint control is obtained.

#### **• IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the condensed interim consolidated financial information of the Group as there is no transaction where a joint control is obtained.

#### **• IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the condensed interim consolidated financial information of the Group.

#### **• IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the condensed interim consolidated financial information of the Group. The Group does not have any borrowing costs.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The condensed interim consolidated financial information for the six-month period ended June 30, 2019 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 in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2018.

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, 2018, except for the adoption of new standards and interpretations described in note 2, as applicable.

The condensed interim consolidated financial information is presented in U.S. Dollars.

The condensed interim consolidated financial information is prepared under the historical cost convention as modified for the measurement at fair value, as applicable.

#### **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, 2019. 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:

<u>Company</u>	<u>Ownership Share</u> %	<u>Date of Establishment</u>	<u>Activity</u>
Solidere Management Services S.A.L.	100	June 2006	Real Estate Management
Solidere Management Services (Offshore) S.A.L.	100	March 2007	Real Estate Management
Solidere International Holdings S.A.L.	100	May 2007	Holding
BHC Holding S.A.L. and its Subsidiaries	100	March 2010	Hospitality

#### 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, 2018.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

#### 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 consolidated financial statements.

	<u>(Unaudited) June 30, 2019</u>			
	<u>Real Estate Sales</u>	<u>Real Estate Rental and Other Services</u>	<u>Eliminations</u>	<u>Total</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Total assets	<u>1,821,024,840</u>	<u>609,311,978</u>	<u>(103,369,094)</u>	<u>2,326,967,724</u>
Total liabilities	<u>369,989,034</u>	<u>143,579,737</u>	<u>(12,052,553)</u>	<u>501,516,218</u>

(Unaudited) June 30, 2019

	<b>Real Estate Sales</b>	<b>Real Estate Rental and Other Services</b>	<b>Eliminations</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Revenues	151,055,600	32,608,582	(1,465,000)	182,199,182
Cost of revenues	(67,719,862)	(14,324,355)	1,203,246	(80,840,971)
Gain on sale and disposal of investment properties	-	105,457	-	105,457
Net revenues from operations	83,335,738	18,389,684	(261,754)	101,463,668
Share results of associates and joint ventures	-	(16,491,185)	-	(16,491,185)
General and administrative expenses	(10,052,912)	(2,730,733)	240,104	(12,543,541)
Depreciation of fixed assets	(1,169,796)	(329,977)	200,000	(1,299,773)
Write-off of receivables	-	(83,676)	-	(83,676)
Loss on rescheduled receivables	(1,378,390)	-	-	(1,378,390)
Write-back on /(provision for) impairment, net	869,325	-	-	869,325
Provision for contingencies	(500,000)	-	-	(500,000)
Write-back on impairment of fixed assets, net	-	7,173	-	7,173
Other expenses	-	(2,929)	-	(2,929)
Other income	198,410	13,366	31,065	242,841
Taxes, fees and stamps	(236,106)	(1,482)	-	(237,588)
Interest income	703,123	29,981	-	733,104
Interest expense	(15,608,583)	(56,862)	-	(15,665,445)
(Loss)/gain on exchange	(38,088)	3,685	-	(34,403)
Profit/(loss) before tax	56,122,721	(1,252,955)	209,415	55,079,181
Income tax expense	(12,937,867)	-	-	(12,937,867)
Profit/(loss) for the period	43,184,854	(1,252,955)	209,415	42,141,314

(Unaudited) June 30, 2018

	<b>Real Estate Sales</b>	<b>Real Estate Rental and Other Service</b>	<b>Eliminations</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Total assets	2,050,243,500	618,823,401	(99,733,721)	2,569,333,180
Total Liabilities	589,924,835	221,301,265	(42,034,178)	769,191,922



	(Unaudited) June 30, 2018			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US\$	US\$	US\$	US\$
Revenues	-	34,350,602	(841,645)	33,508,957
Cost of revenues	-	(18,300,732)	1,683,290	(16,617,442)
Gain on sale and disposal of investment properties	-	238,165	-	238,165
Net revenues from operations	-	16,288,035	841,645	17,129,680
Share results of associates and joint ventures	-	(12,711,181)	-	(12,711,181)
General and administrative expenses	(11,985,530)	(1,300,421)	(841,645)	(14,127,596)
Depreciation of fixed assets	(1,244,229)	(142,698)	-	(1,386,927)
Write-off of receivables	(419,949)	-	-	(419,949)
Loss from rescheduled receivables	(1,297,164)	-	-	(1,297,164)
Provision for contingencies	(500,000)	-	-	(500,000)
Provision for impairment, (net)	(78,626,740)	(39,187)	-	(78,665,927)
Other expenses	(2,052,092)	(196,144)	-	(2,248,236)
Other income	170,584	187,039	-	357,623
Taxes, fees and stamps	(128,352)	(238)	-	(128,590)
Interest income	8,197,174	23,563	-	8,220,737
Interest expense	(16,416,870)	(10,183)	-	(16,427,053)
(Loss)/gain on exchange	(135,026)	50	-	(134,976)
Loss before tax	(104,438,194)	2,098,635	-	(102,339,559)
Income tax benefit/(expense)	3,239,743	(3,317)	-	3,236,426
Loss for the period	(101,198,451)	2,095,318	-	(99,103,133)

## 6. ACCOUNTS AND NOTES RECEIVABLE, NET

	(Unaudited) June 30, 2019	December 31, 2018
	US\$	US\$
Notes receivable (a)	218,734,011	295,200,405
Accounts receivable (b)	4,290,470	4,485,723
Reserve Account Receivable from BCD 1 Fund	610,413	899,098
Reserve Account Receivable from BCD 2 Fund	7,178,969	7,178,969
Deferred charges from securitization of notes	11,668,635	11,379,950
Receivables from tenants (c)	39,470,176	40,354,859
Less: Unearned interest	(50,757,724)	(54,324,622)
Less: Allowance for impairment (d)	(119,561,323)	(158,597,754)
	<u>111,633,627</u>	<u>146,576,628</u>

During the six-month period ending June 30, 2019, the Group wrote-off long outstanding receivables of US\$83,676 (US\$419,949 during the six-month period ending June 30, 2018) recorded under "Write-off of receivables" in the interim consolidated statement of profit or loss.

The Group's credit risk exposure in notes and accounts receivable is spread over 16 counter-parties; 5 customers constitute 90% of the total exposure and 11 customers constitute the remaining 10% as of June 30, 2019 (20 counter-parties; 7 customers constitute 90% of the total exposure and 13 customers constitute the remaining 10% as of December 31, 2018).

The Group's credit exposure in receivables from tenants is spread over a large number of counter-parties; 3 tenants constitute 55% of the total exposure as of June 30, 2019 (3 tenants constitute 66% of the total exposure as of December 31, 2018).

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

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

	(Unaudited) June 30, 2019 US\$	December 31, 2018 US\$
Doubtful balances	217,009,889	186,549,343
Overdue but not impaired	73,456	8,571,351
2019	1,017,500	47,537,489
2020	320,736	17,158,788
2021	68,015	10,499,282
2022 and above	244,415	24,884,152
	<u>218,734,011</u>	<u>295,200,405</u>

- (b) Subsequent to period end, the Group signed an addendum to one sale agreement entered into in previous years which resulted in the write off of receivables in the amount of US\$ 1,436,997 that were already provided for in previous years. Other accounts receivable are doubtful balances and are fully provided for.
- (c) Included under receivables from tenants is the balance due from the Lebanese Ministry of Foreign Affairs and Immigrants regarding the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia - ESCWA which amounted to US\$18,918,355 as of June 30, 2019 (US\$23,574,067 as of December 31, 2018).

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

	(Unaudited) June 30, 2019	December 31, 2018
	US\$	US\$
Balance at the beginning of the period/year	158,597,754	158,519,944
Impact for adopting IFRS 9 at January 1	-	450,131
Restated balance at January 1	158,597,754	158,970,075
Additions	-	12,335,136
Write-off	(39,036,431)	(12,707,457)
Balance at the end of the period/year	<u>119,561,323</u>	<u>158,597,754</u>

During 2019, the Company wrote-off doubtful receivables from two land sale contracts made in the previous years in the amount of US\$ 38,591,063 as per the settlement agreement with the debtor that was provided for in prior years. In addition, the Company wrote-off doubtful receivables from tenants in the amount of US\$ 445,368 that were already provided for in prior years.

During 2018, the Group wrote-off doubtful receivables from a land sale made in the previous years in the amount of US\$12,000,000 as per the settlement agreement with the debtor that was provided for in 2017.

## 7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	(Unaudited) June 30, 2019	December 31, 2018
	US\$	US\$
Investment in Solidere International Limited (Associate)	365,835,701	381,279,843
Investment in BCD Cinemas S.A.L. (Associate)	1,188,960	1,187,828
Investment in Beirut Waterfront Development S.A.L. (Joint Venture)	(11,960,278)	(10,844,958)
Investment in Beirut Real Estate Management and Services S.A.L. (Joint Venture)	21,742	22,212
Investment in ASB - Downtown S.A.L. (Associate)	316,667	247,076
Investment in STOW Waterfront Holding S.A.L.	530,296	506,000
	<u>355,933,088</u>	<u>372,398,001</u>
Long term loan to Beirut Waterfront Development S.A.L. (Joint Venture)	36,540,000	36,540,000
Less: Provision for impairment	(11,340,000)	(11,340,000)
	<u>381,133,088</u>	<u>397,598,001</u>

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

	(Unaudited)	
	Six Month Period Ended	
	June 30,	
	2019	2018
	US\$	US\$
Balance at the beginning of the year	397,598,001	420,767,858
Share of the results of associates and joint ventures	(16,491,185)	(12,711,181)
Foreign currency translation reserve	1,976	445
Investment in STOW Waterfront Holding S.A.L.	24,296	-
Balance at the end of the year	<u>381,133,088</u>	<u>408,057,122</u>

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

	Country of Incorporation	Ownership Interest	June 30, 2019 (Unaudited)		December 31, 2018	
			At Cost	Group's share of equity	At Cost	Group's share of equity
Solidere International Limited (Associate)	UAE	39.05	238,530,173	365,835,701	238,530,173	381,279,843
BCD Cinemas S.A.L. Sal (Associate)	Lebanon	40.00	8,000	1,188,960	8,000	1,187,828
Beirut Waterfront Development S.A.L. (a) (Joint Venture)	Lebanon	50.00	11,385,075	(11,960,278)	11,385,075	(10,844,958)
Beirut Real Estate Management and Services (Joint Venture)	Lebanon	45.00	9,000	21,742	9,000	22,212
ASB - Downtown S.A.L. (Associate)	Lebanon	24.50	4,877	316,667	4,877	247,076
STOW Waterfront Holding S.A.L.	Lebanon	1.68	530,296	530,296	506,000	506,000
			<u>250,467,421</u>	<u>355,933,088</u>	<u>250,443,125</u>	<u>372,398,001</u>

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

Six-Month Period Ended June 30, 2019 (Unaudited)				
	Solidere International Limited	Beirut Waterfront Development SAL	Other associates and joint ventures	Total
	US\$	US\$	US\$	US\$
Total Revenue	2,997,673	4,819,192	5,446,785	13,263,650
Total Cost of Revenue	(2,599,228)	(4,388,719)	(1,976,447)	(8,964,394)
Profit/(loss) for the period	(39,488,985)	(2,230,649)	303,369	(41,416,265)
Group's share of results profit/(loss)	(15,444,142)	(1,115,320)	70,253	(16,489,209)

Six-Month Period Ended June 30, 2018 (Unaudited)				
	Solidere International Limited	Beirut Waterfront Development SAL	Other Associates and Joint Ventures	Total
	US\$	US\$	US\$	US\$
Total Revenue	2,422,830	8,732,417	7,754,309	18,909,556
Total Cost of Revenue	(1,743,349)	(4,387,326)	(5,482,327)	(11,613,002)
Profit/(loss) for the period	(25,497,034)	(6,277,249)	582,023	(31,192,260)
Group's share of result – profit/(loss)	(9,763,551)	(3,138,625)	190,995	(12,711,181)

## **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 an agreement with a local financial institution to securitize notes receivable with an aggregate nominal value of US\$ 81 million 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\$4.6 million 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 US\$	Subscription Amount US\$	Carrying Amount	
			(Unaudited) June 30, 2019 US\$	December 31, 2018 US\$
<b>BCD1:</b>				
<i>Loans and receivables:</i>				
Class A	130,000,000	28,000,000	-	-
Class B	45,000,000	45,000,000	5,378,559	10,558,924
	<u>175,000,000</u>	<u>73,000,000</u>	<u>5,378,559</u>	<u>10,558,924</u>
<i>Held-to-Maturity:</i>				
Class C	10,160,450	10,160,450	10,160,450	10,160,450
	<u>10,160,450</u>	<u>10,160,450</u>	<u>10,160,450</u>	<u>10,160,450</u>
<b>BCD2:</b>				
<i>Loans and receivables:</i>				
Class A	56,777,280	6,985,775	5,327,578	6,546,883
Class B	24,333,120	24,333,120	24,333,120	24,333,120
	<u>81,110,400</u>	<u>31,318,895</u>	<u>29,660,698</u>	<u>30,880,003</u>
<i>Provision for impairment</i>	-	-	(31,900,000)	(31,900,000)
	<u>266,270,850</u>	<u>114,479,345</u>	<u>13,299,707</u>	<u>19,699,377</u>

#### BCD 1 Fund:

Class A Notes are redeemable on a semi-annual basis. Class B Notes are also redeemable on a semi-annual basis provided the redeemable portion of Class A Notes is settled and funds are available. Class A and Class B Notes are classified as “loans and receivables”. Class B Notes are 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. Class C Notes are classified as held-to-maturity.

Interest on Class B Notes is non-cumulative and is paid 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. According to the BCD 1 Fund regulations, the reserve account balance should be maintained at US\$6,650,000. During 2019, an amount of US\$288,685 was used to cover the shortfall in payments.

The decrease in the reserve account in the aggregate of US\$11,668,635 up to June 30, 2019 (US\$11,379,950 up to December 31, 2018) was recorded under “Deferred charges from securitization of notes under “Accounts and notes receivables, net” and will be covered from any subsequent distribution made by the BCD 1 Fund (Note 6).

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

	<b>(Unaudited)</b> <b>June 30,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>
	<u>US\$</u>	<u>US\$</u>
Balance at the beginning of the year	899,098	1,669,657
Settlements to cover shortfall in principal and interest	<u>(288,685)</u>	<u>(770,559)</u>
Balance at the end of the year	<u>610,413</u>	<u>899,098</u>

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 Company placed a reserve account in the amount of US\$7,178,969 as stipulated by the BCD 2 Fund’s regulations, to cover any shortfall in payments of principal and interest of the asset-backed securities issued by the BCD 2 Fund and to cover the senior expenses of the BCD 2 Fund. According to the BCD 2 Fund regulations, the reserve account balance should be maintained at US\$7,178,969.

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

	<b>(Unaudited)</b> <b>June 30,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>
	<u>US\$</u>	<u>US\$</u>
Balance at the beginning of the year	9,779,359	-
Additions	-	9,779,359
Settlements to cover shortfall in principal and interest	<u>(6,513,708)</u>	<u>-</u>
Balance at the end of the year	<u>3,265,651</u>	<u>9,779,359</u>

### Provision for impairment on Funds:

During 2018, the Group set up a provision for impairment in the amount of US\$22,910,000 recorded under "Provision for impairment, net" in the consolidated statement of profit or loss and other comprehensive income, in relation to customers balances included under BCD2 fund established in 2018.

### Interest income from the Funds:

Interest income on Fund 1 and Fund 2 in the amount of US\$396,464 for the period ended June 30, 2019 (US\$532,280 on Fund 1 for the period ended June 30, 2018) is recorded under "Interest income" in the consolidated statement of profit or loss and other comprehensive income.

## **9. BASIC/DILUTED EARNINGS PER SHARE**

The computation of earnings per share is based on net income/(loss) 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 164,998,750 shares for the six month period ended June 30, 2019 (165,000,000 shares for the six-month period ended June 30, 2018).

## **10. NOTES TO THE CASH FLOW STATEMENT**

(a) Depreciation was applied as follows:

	(Unaudited)	
	June 30,	
	2019	2018
	US\$	US\$
Depreciation of fixed assets	1,299,773	1,386,927
Depreciation of investment properties	6,910,479	6,854,195
Depreciation charge for the period	<u>8,210,252</u>	<u>8,241,122</u>



(b) Interest expense consists of the following:

	(Unaudited) June 30,	
	2019	2018
	US\$	US\$
Interest charged as period cost	15,665,445	16,427,053
Interest expense allocated to inventory of land and projects in progress	621,968	663,070
Total interest expense	<u>16,287,413</u>	<u>17,090,123</u>

(c) Non-cash transactions in investing activities for the six-month period ended June 30, 2019, include cumulative foreign currency translation reserve in the amount of US\$1,976 (US\$41,940 for the six-month period ended June 30, 2018) which was excluded from investment in associates and joint ventures against cumulative foreign currency translation reserve under equity.

(d) Cash and cash equivalents comprise the following:

	(Unaudited) June 30,	
	2019	2018
	US\$	US\$
Cash on hand	75,048	74,406
Checks under collection	358,917	308,904
Current accounts	6,766,036	21,428,473
Short term deposits	12,208,101	12,555,033
Bank overdrafts	(34,331,654)	(89,947,143)
	<u>(14,923,552)</u>	<u>(55,580,327)</u>

	Year Ended December 31,	
	2018	2017
	US\$	US\$
Cash on hand	20,284	74,320
Checks under collection	13,237,344	-
Current accounts	8,252,367	9,681,506
Short term deposits	5,669,800	30,432,761
Bank overdrafts	(59,138,400)	(83,725,628)
	<u>(31,958,605)</u>	<u>(43,537,041)</u>

## **11. RELATED PARTY TRANSACTIONS**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

	<b>(Unaudited)</b> <b>June 30,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>
	<u>US\$</u>	<u>US\$</u>
Solidere International Limited (Associate)	22,047	32,261
City Makers S.A.R.L (Related party)	65,526	65,526
BCD Cinemas S.A.L. (Associate)	1,713,069	1,665,517
ASB - Downtown S.A.L. (Associate)	241,693	245,578
	<u>2,042,335</u>	<u>2,008,882</u>

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

	<b>(Unaudited)</b> <b>June 30,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>
	<u>US\$</u>	<u>US\$</u>
GroupMed Insurance and Reinsurance Company S.A.L.	1,141,215	1,799,635
GroupMed Insurance Brokers – Lebanon S.A.L.	-	71,765
Beirut Waterfront Development S.A.L. (Joint Venture)	23,032	14,341
	<u>1,164,247</u>	<u>1,885,741</u>

Cash and bank balances include US\$9,062,942 as of June 30, 2019 (US\$5,402,840 as of December 31, 2018) representing current bank accounts 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 income” in the interim consolidated statement of profit or loss and other comprehensive income an amount of US\$122,024 for the period ended June 30, 2019 (US\$158,940 for the period ended June 30, 2018) representing interest income on term deposits with local banks who are significant but minority shareholders of the Group.

Term loans include US\$50,000,000 as of June 30, 2019 (US\$88,000,000 as of December 31, 2018) representing a term loan with a local bank who is a significant but minority shareholder of the Group.

Included under “Interest expense” in the interim consolidated statement of profit or loss is an amount of US\$3,200,405 for the period ended June 30, 2019 (US\$2,928,567 for the period ended June 30, 2018) 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.

Accrued interest income on a long term loan of US\$36.54million granted by the Group to Beirut Waterfront Development S.A.L., a joint venture, amounted to US\$21,375,900 and fully provided for as of June 30, 2019 and December 31, 2018 recorded under “Prepayments and other debit balances”.

During 2018, the Group sold an apartment to an executive for a total amount of US\$500,000. Net revenue from this operation is included under “Gain on sale and disposal of investment properties” in the consolidated statement of profit or loss and other comprehensive income.

Total benefits of executives and members of the Board of Directors (including salary, bonus and others), included within “General and administrative expenses”, for the period ended June 30, 2019 amounted to US\$2,553,000 (US\$1,578,200 for the period ended June 30, 2018).

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.

## **12. 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 projected cost for completion of the BCD project has been estimated by management to be approximately US\$2billion. This amount is used as a base for the determination of cost of sales.
- (c) Commitments for contracted works not executed as of June 30, 2019 amounted to approximately US\$50 million (US\$75million as of December 31, 2018).

- (d) 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 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 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 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.
- (i) The Group is defendant in a lawsuit raised by a Group of jewelers and the jewelers syndicate. The Company appealed the court’s decision in which the Company was required to register certain commercial shops in Beirut Souks. The case was deferred until April 4, 2016 and then deferred to June 13, 2016. This lawsuit is still pending until final decision by the supreme court. In 2017, other separate lawsuits were filed in connection with the original lawsuit and are still pending before the supreme court.
- (j) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US\$3,206,465 as at June 30, 2019 (as at December 31, 2018 commitments and contingencies in the form of letters of guarantee in the amount of US\$3,143,832).

### 13. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

<u>ASSETS</u>	(Unaudited)	December 31,
	June 30,	2018
	2019	2018
	US\$	US\$
<i>Current Assets</i>		
Cash and banks balances	19,250,766	27,022,443
Prepayments and other debit balances - Current portion	16,238,320	49,351,062
Accounts and notes receivables, net - Current portion	91,599,130	65,628,836
Investment in assets-backed securities - Current portion	3,844,307	3,450,818
<b>Total Current Assets</b>	<b>130,932,523</b>	<b>145,453,159</b>
<i>Non-Current Assets</i>		
Prepayments and other debit balances - Non-current portion	3,375,856	3,836,382
Accounts and notes receivables, net - Non-current portion	20,034,497	80,947,792
Investments in assets-backed securities - Non-current portion	9,455,400	16,248,559
Inventory of land and projects in progress	1,155,010,832	1,204,900,740
Investment properties, net	579,471,142	584,461,261
Investment in joint ventures and associates	381,133,088	397,598,001
Fixed assets, net	47,554,386	48,527,466
<b>Total Non-Current Assets</b>	<b>2,196,035,201</b>	<b>2,336,520,201</b>
<b>TOTAL ASSETS</b>	<b>2,326,967,724</b>	<b>2,481,973,360</b>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Bank overdrafts and short term facilities	64,331,654	122,051,954
Accounts payable and other liabilities - Current portion	79,632,450	81,725,140
Dividends payable	59,264,369	59,513,187
Deferred revenue and other credit balances - Current portion	37,950,597	19,902,467
Loans from banks and financial institutions - Current portion	14,000,000	138,750,000
<b>Total Current Liabilities</b>	<b>255,179,070</b>	<b>421,942,748</b>
<i>Non-Current Liabilities</i>		
Accounts payable and other liabilities - Non-current portion	34,990,395	43,109,865
Deferred revenue and other credit balances - Non-current portion	10,750,000	10,750,000
Loans from banks and financial institutions - Non-current portion	200,596,753	222,847,531
<b>Total Non-Current Liabilities</b>	<b>246,337,148</b>	<b>276,707,396</b>
<b>TOTAL LIABILITIES</b>	<b>501,516,218</b>	<b>698,650,144</b>
<u>EQUITY</u>		
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
	<b>1,650,000,000</b>	<b>1,650,000,000</b>
Legal reserve	170,474,545	170,474,545
Retained earnings/(accumulated losses)	5,014,638	(37,126,676)
Cumulative foreign currency translation reserve	(22,677)	(24,653)
Less: Treasury shares	(15,000)	-
<b>Total Equity</b>	<b>1,825,451,506</b>	<b>1,783,323,216</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,326,967,724</b>	<b>2,481,973,360</b>

#### 14. FAIR VALUE MEASUREMENT

For assets and liabilities that are recognized in the 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:

	(Unaudited) June 30, 2019				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
	US\$	US\$	US\$	US\$	US\$
<b>Financial Assets measured</b>					
<b>at amortized cost:</b>					
Cash and bank balances	19,250,766	433,965	18,816,801	-	19,250,766
Other debit balances	12,428,111	-	-	12,428,111	12,428,111
Accounts and notes receivable	111,633,627	-	-	111,633,627	111,633,627
Investments in asset-backed securities (includes reserve accounts and deferred charges)	32,757,724	-	38,038,680	-	38,038,680
	<u>176,070,228</u>	<u>433,965</u>	<u>56,855,481</u>	<u>124,061,738</u>	<u>181,351,184</u>
<b>Financial Liabilities measured</b>					
<b>at amortized cost:</b>					
Bank Overdrafts and short term facilities	64,331,654	-	64,331,654	-	64,331,654
Accounts payable and other liabilities	52,013,929	-	-	52,013,929	52,013,929
Dividends payable	59,264,369	-	-	59,264,369	59,264,369
Deferred revenues and other credit balances	37,950,597	-	-	37,950,597	37,950,597
Term bank loans	214,596,753	-	216,783,511	-	216,783,511
	<u>428,157,302</u>	<u>-</u>	<u>281,115,165</u>	<u>149,228,895</u>	<u>430,344,060</u>
<b>Non Financial Assets measured at cost:</b>					
Investment properties	579,471,142	-	1,205,681,973	-	1,205,681,973
	<u>579,471,142</u>	<u>-</u>	<u>1,205,681,973</u>	<u>-</u>	<u>1,205,681,973</u>

	December 31, 2018				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
US\$	US\$	US\$	US\$	US\$	
<b>Financial Assets measured at amortized cost:</b>					
Cash and bank balances	27,022,443	13,257,628	13,764,815	-	27,022,443
Other debit balances	38,023,004	-	-	38,023,004	38,023,004
Accounts and notes receivable	146,576,628	-	-	146,576,628	146,576,628
Investments in asset-backed securities (includes reserve accounts and deferred charges)	39,157,394	-	44,074,273	-	44,074,273
	<u>250,779,469</u>	<u>13,257,628</u>	<u>57,839,088</u>	<u>184,599,632</u>	<u>255,696,348</u>
<b>Financial Liabilities measured at amortized cost:</b>					
Bank overdrafts and short term facilities	122,051,957	-	122,051,954	-	122,051,954
Accounts payable and other liabilities	47,983,400	-	-	47,983,400	47,983,400
Dividends payable	59,513,187	-	-	59,513,187	59,513,187
Deferred revenues and other credit balances	19,902,467	-	-	19,902,467	19,902,467
Loans from banks and financial institutions	361,597,531	-	363,553,836	-	363,553,836
	<u>611,048,542</u>	<u>-</u>	<u>485,605,790</u>	<u>127,399,054</u>	<u>613,004,844</u>
<b>Non Financial Assets measured at cost:</b>					
Investment properties	584,461,261	-	1,208,036,673	-	1,208,036,673

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.

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

## **15. APPROVAL OF FINANCIAL STATEMENTS**

The Board of Directors approved the condensed interim consolidated financial information for the six-month period ended June 30, 2019, on October 14, 2019.