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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT YEAR ENDED DECEMBER 31, 2018

THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2018

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

Opinion

We have audited the accompanying consolidated financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (the "Company") and its subsidiaries (collectively referred to the "Group"), which comprise the Consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2018. We have determined the matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Our description of how our audit addressed this matter is provided in that context.

We have fulfilled the responsibilities described in the *"Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addresses the Key Audit Matter
Impairment of receivables and asset backed notes	
Refer to note 2 of the consolidated financial statements for a description of the accounting policy. Due to the inherently judgmental nature of the computation of expected credit losses ("ECL") for notes. Accounts receivable and asset backed notes, there is a risk that the amount of ECL may be misstated. The key areas of judgement include: 1. The identification of exposure with a significant deterioration in credit quality. 2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc. 3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model. Notes 8 and 9 to the consolidated financial statements discloses information on notes and accounts receivable and asset backed notes and related impairment.	In assessing the impairment, we performed the following procedures: 1. We assessed the modelling techniques and methodology against the requirements of IFRS 9. 2. We tested the data, both current and historical, used in determining the ECL. 3. We tested the expected credit loss models including build, validation and governance of models. 4. We tested the material modelling assumptions in addition to any overlays. 5. We examined a sample of exposures and performed procedures to determine whether significant increase in credit risk had been identified on a timely basis. 6. We reperformed the ECL computation for the asset backed notes and for a sample of receivables. 7. We assessed the accuracy of disclosures in the separate financial statements.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

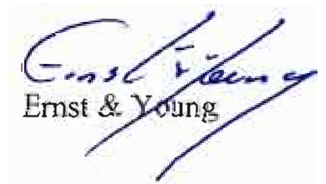
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The partners in charge of the audit resulting in this independent auditors' report are Yamen Maddah for Deloitte & Touche and Nadim Dimashkieh for Ernst & Young.

Beirut, Lebanon
April 30, 2019

Deloitte & Touche


Ernst & Young

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

ASSETS	Notes	December 31, 2018 US$	December 31, 2017 US$
Cash and banks balances	6	27,022,443	40,188,587
Prepayments and other debit balances	7	53,187,444	60,214,661
Accounts and notes receivables, net	8	146,576,628	363,675,671
Investment in asset-backed securities	9	19,699,377	23,744,295
Inventory of land and projects in progress	10	1,204,900,740	1,156,512,095
Investment properties, net	11	584,461,261	595,974,193
Investment in associates and joint ventures	12	397,598,001	420,767,858
Fixed assets, net	13	48,527,466	50,650,021
Total Assets		2,481,973,360	2,711,727,381
LIABILITIES			
Bank overdrafts and short term facilities	14	122,051,954	230,725,628
Accounts payable and other liabilities	15	124,835,005	162,485,957
Dividends payable	16	59,513,187	60,296,491
Deferred revenues and other credit balances	17	30,652,467	60,171,247
Loans from banks and financial institutions	18	361,597,531	298,176,170
Total Liabilities		698,650,144	811,855,493
EQUITY			
Issued capital at par value US$10 per share:	19		
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	20	170,474,545	170,466,705
(Accumulated losses)/retained earnings		(37,126,676)	79,471,651
Cumulative foreign currency translation reserve		(24,653)	(66,468)
Total Equity		1,783,323,216	1,899,871,888
Total Liabilities and Equity		2,481,973,360	2,711,727,381

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

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

	Notes	Year Ended December 31, 2018 US$	2017 US$
Revenues from land sales		1,274,550	94,500
Revenues from rented properties		56,855,415	59,926,750
Revenues from rendered services	21	8,097,796	7,439,105
Revenues from hospitality		8,656	239,386
Total revenues		66,236,417	67,699,741
Cost of land sales		(726,020)	(17,487)
Depreciation of and charges on rented properties	22	(23,216,387)	(27,059,101)
Cost of rendered services	23	(5,171,060)	(4,027,430)
Cost of hospitality		(44,038)	(295,317)
Total cost of revenues		(29,157,505)	(31,399,335)
Gain on sale and disposal of investment properties	11	287,141	3,834,195
Net revenues from operations		37,366,053	40,134,601
Share of (loss)/income from associates and joint ventures	12	(11,825,909)	1,926,028
General and administrative expenses	24	(31,437,571)	(36,118,452)
Depreciation of fixed assets	13	(2,746,180)	(3,284,131)
Write-off of receivables	8(a,c)	(33,662,497)	(14,472,573)
Loss on rescheduled receivables		(2,213,291)	(685,432)
Provision for impairment, net	7(d),8(d),9,12	(35,046,987)	(79,262,415)
Provision for contingencies	15(e)	(8,556,736)	(14,250,000)
Write-back/(provision) for impairment of fixed assets	13	1,594	(360,430)
Other expense	26	(2,436,846)	(1,879,219)
Other income	27	332,902	302,539
Taxes, fees and stamps		(648,582)	(643,542)
Interest income	25	7,179,882	22,167,487
Interest expense	28	(33,725,167)	(34,057,398)
Loss on exchange, net		(80,067)	(80,060)
Loss before tax		(117,499,402)	(120,562,997)
Income tax benefit	15(c)	1,809,977	4,195,241
Loss profit for the year		(115,689,425)	(116,367,756)
Basic/diluted earnings per share	29	(0.70)	(0.71)
Attributable to:			
Equity owners of the Company		(115,689,425)	(116,367,756)
Loss for the year		(115,689,425)	(116,367,756)

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

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

	Notes	Year Ended December 31, 2018 US$	Year Ended December 31, 2017 US$
Loss for the year		(115,689,425)	(116,367,756)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		41,815	306,241
Other comprehensive income for the year		41,815	306,241
Total comprehensive loss for the year		(115,647,610)	(116,061,515)
Attributable to:			
Equity owners of the Company		(115,647,610)	(116,061,515)
		(115,647,610)	(116,061,515)

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

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

	Share Capital	Legal Reserve	(Accumulated Losses)/ retained Earnings	Cumulative Foreign Currency Translation Reserve	Deficit on Treasury Shares' Activity	Total	Non-Controlling Interest	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Balance at January 1, 2017	1,650,000,000	170,435,346	230,926,613	(372,709)	(35,055,847)	2,015,933,403	-	2,015,933,403
Allocation to legal reserve from 2017 profits	-	31,359	(31,359)	-	-	-	-	-
Transfer to retained earnings	-	-	(35,055,847)	-	35,055,847	-	-	-
Total comprehensive loss for the year 2017	-	-	(116,367,756)	306,241	-	(116,061,515)	-	(116,061,515)
Balance as at December 31, 2017	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	-	-	(901,062)	-	-	(901,062)	-	(901,062)
Restated balance at January 1, 2018	1,650,000,000	170,466,705	78,570,589	(66,468)	-	1,898,070,826		1,898,070,826
Allocation to Legal reserve from 2018 profit	-	7,840	(7,840)	-	-	-	-	-
Total comprehensive income the year 2018	-	-	(115,689,425)	41,815	-	(115,647,610)	-	(115,647,610)
Balance as at December 31, 2018	1,650,000,000	170,474,545	(37,126,676)	(24,653)	-	1,783,323,216	-	1,783,323,216

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

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

	Notes	Year Ended December 31, 2018 US$	2017 US$
Cash flows from operating activities:			
Loss for the year before income tax		(117,499,402)	(120,562,997)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	30 (a)	16,501,084	16,988,677
Gain on sale of investment properties	11	(287,141)	(3,834,195)
(Gain)/loss on sale of fixed assets	26,27	(4,426)	945,461
(Write-back)/provision for end-of-service indemnity, net	15 (d)	(1,307,329)	380,937
Provision for contingencies	15 (e)	8,556,736	14,250,000
(Write-back)/provision for impairment of fixed assets	13	(1,594)	360,430
Provision for impairment, net	7(d),8(d),9,12	35,046,987	79,262,415
Write-off of receivables	8 (a, c)	33,662,497	14,472,573
Loss on rescheduled receivables		2,213,291	685,432
Share of result of associates and joint ventures	12	11,825,909	(1,926,028)
Interest income	25	(7,179,882)	(22,167,487)
Interest expense	30 (b)	35,010,968	36,010,341
Changes in working capital:			
Prepayments and other debit balances		(15,033,480)	(9,913,655)
Accounts and notes receivable		137,557,685	60,270,340
Inventory of land and projects in progress		(48,388,645)	(64,636,703)
Accounts payable and other liabilities		(24,901,173)	33,301,887
Deferred revenues and other credit balances		3,197,120	(3,420,017)
Interest received		9,746,293	19,581,559
Settlements of end-of-service indemnity and other charges		(1,346,175)	(1,034,959)
Settlements from provision for contingencies		(6,533,488)	(43,200)
Taxes paid		(12,348,797)	(16,172,309)
Net cash generated from operating activities		58,487,038	33,876,661
Cash flows from investing activities:			
Investment in asset-backed securities		12,015,221	12,629,680
Acquisition of fixed assets	13	(623,625)	(824,603)
Acquisition of investment properties	11	(3,459,804)	(3,997,395)
Proceeds from sale of investment properties	11	1,504,973	5,211,000
Proceeds from sale of fixed assets	13	6,020	251,740
Investments in associates and joint ventures	12	45,763	(506,000)
Net cash provided by investing activities		9,488,548	12,764,422
Cash flows from financing activities:			
Term bank loans	18	63,421,361	(432,286)
Dividends paid	16	(783,304)	(4,161,657)
Interest paid		(34,948,761)	(34,628,368)
Short term bank facilities	14	(84,086,446)	(100,000,000)
Net cash used in financing activities		(56,397,150)	(139,222,311)
Net change in cash and cash equivalents		11,578,436	(92,581,228)
Cash and cash equivalents--Beginning of the year	30 (e)	(43,537,041)	49,044,187
Cash and cash equivalents--End of the year	30 (e)	(31,958,605)	(43,537,041)

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

1. FORMATION AND OBJECTIVE OF THE COMPANY

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

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

The duration of the Company is 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.

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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 New and Amended Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017 except for the adoption of amended standards and interpretations effective as of January 1, 2018, noted below:

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments and all previous versions of IFRS 9 (2009, 2010 and 2013). The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new version, IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Group adopted the new standard on the required effective date.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9 (2014). Therefore, the comparative information for 2017 is reported under IFRS 9 (2009, 2010 and 2013) and IAS 39 impairment requirements and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 (2014) have been recognised directly in retained earnings or reserves (as applicable) as of 1 January 2018 and are disclosed in V below.

I. Classification and measurement

The Group has early adopted classification and measurement requirements as issued in IFRS 9 (2009) and IFRS 9 (2010). In the July 2014 publication of IFRS 9, the new measurement category fair value though other comprehensive income was introduced for financial assets that satisfy the contractual cash flow characteristics (SPPI test). This category is aimed at portfolio of debt instruments for which amortised cost information, as well as fair value information is relevant and useful. A debt financial asset is measured at fair value through OCI if:

- it is held in a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling the assets, and
- it satisfies the contractual cash flow characteristics (SPPI test).

The classification and measurement requirements for financial assets that are equity instruments or debt instruments that do not meet the contractual cash flow characteristics (SPPI test) and financial liabilities remain unchanged from previous versions of IFRS 9.

There is no impact on the financial assets classification as at December 31, 2018 as the Group did not perform any reclassifications.

II. Expected Credit Losses

The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortised cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current model of IAS 39.

Expected credit losses (ECL) are recognized for financial assets measured at amortized cost, financial assets measured at fair value through OCl, financial guarantees and loan commitments. ECL are also recognized on the undrawn portion of revolving revocable credit lines. ECL is measured as the present value of all cash shortfalls (i.e the difference between contractual cash flows and the cash flows expected to be received). For loan commitments and other credit facilities in scope of ECL, expected cash shortfalls are determined by considering expected future draw downs.

The ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Details of the Group's impairment method are disclosed in Note 3. The impact of the adoption of IFRS 9 impairment provisions on the Group's financial assets and their carrying values and equity is discussed in V below.

III. IFRS 7 disclosures

IFRS 7 Financial Instruments: Disclosures, which was updated to reflect the differences between IFRS 9 and IAS 39, was also adopted by the Group together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in V below, detailed qualitative and quantitative information about the ECL calculations such as assumptions and inputs used are set out in the risk management notes.

The assumptions and inputs used are set out in Note 4.

IV. Hedge accounting

There is no impact on the financial statements as the Group does not have hedged items.

V. Transition

In accordance with the transition provisions of IFRS 9 (2014), the Group applied this standard retrospectively. The following tables set out the impact of adopting IFRS 9 (2014) on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

Except for the consolidated financial statement captions listed in the below table, there have been no changes in the carrying amounts of assets and liabilities on application of IFRS 9 (2014) as at January 1, 2018.

		Classification under IFRS 9 (2010) (December 31, 2017)		*Re-measurement*		*Classification under IFRS 9 (2014) (January 1, 2018)*	
	Note	Category	Amount	Reclassification	ECL	Category	Amount
			US$	US$	US$		US$
Financial assets							
Cash and bank balances	6	Amortized cost	40,188,587	-	(234,998)	Amortized cost	39,953,589
Prepayments and other debit balances	7	Amortized cost	60,214,661	-	(170,170)	Amortized cost	60,044,491
Accounts and notes receivables, net	8	Amortized cost	363,675,671	-	(450,131)	Amortized cost	363,225,540
Investment in asset-backed securities	9	Amortized cost	23,744,295	-	-	Amortized cost	23,744,295
Investment in associates and joint ventures	12	Fair value	420,767,858	-	(45,763)	Fair Value	420,722,095
Net impact on equity				-	(901,062)		

IFRS 15 ***Revenue from contracts with customers***

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group assessed that the impact of IFRS 15 is not material on the financial statements of the Group.

Amendments to IFRS 2 ***Classification and Measurement of Share-based Payment Transactions***

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. If applicable, the Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. These amendments do not have any material impact on the Group's consolidated financial statements.

IFRIC Interpretation 22 ***Foreign Currency Transactions and Advance Considerations***

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of transaction for each payment or receipt of advance consideration. This Interpretation does not have any material impact on the Group's consolidated financial statements.

Amendments to IAS 40 *Investment Property*
Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intention for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state the list of examples therein is non-exhaustive.

2.2 New and Revised IFRS in Issue But Not Yet Effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2018 with the Group not opting for early adoption. These have therefore not been applied in preparing these financial statements.

New and revised IFRSs and IASs	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019

IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

New and revised IFRSs and IASs	Effective for annual periods beginning on or after
IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"	1 January 2019

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and 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 must 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 should be followed. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Indefinite

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

New and revised IFRSs and IASs	Effective for annual periods beginning on or after
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019

The amendments 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 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.
- Determine 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).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019

Under IFRS 9, a debt instrument can be measured at amortised 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 the 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.

New and revised IFRSs and IASs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely
Amendments to IAS 28: Long-term interests in associates and joint ventures	1 January 2019

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, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Annual Improvements 2015-2017 Cycle (issued in December 2017)	1 January 2019

These improvements include:

- *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.

- *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.

- *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 the entity originally recognised those past transactions or events.

- *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.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable. Except for IFRS 16, the adoption of these new standards, interpretations and amendments, will not have a significant impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2019. The Group is currently assessing the quantitative impact of the above mentioned new standard on its consolidated financial statements at the transition date. However, management do not expect a significant impact upon transition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Statement of Compliance:

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

The consolidated financial statements are presented in U.S. Dollars.

The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale financial assets and derivatives, as applicable.

The consolidated financial statements incorporate the financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its controlled subsidiaries drawn up to December 31 of each year. Control is achieved when the Company 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 Company controls an investee if and only if the Company has:

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

When the Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

The Company 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 Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company 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 Company loses control over a subsidiary, it:

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

Group entities comprise the following:

Company	Ownership Share 2018 and 2017 %	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	Real Estate Management-Dormant
Solidere International Holdings S.A.L.	100	May 2007	Holding
BHC Holding S.A.L.	100	March 2010	Holding
BHC1 S.A.L.	100	April 28, 2010	Hospitality - Dormant
BHC2 S.A.L.	100	April 28, 2010	Hospitality - Dormant
BHC3 S.A.L.	100	May 28, 2010	Hospitality - Dormant
BHC4 S.A.L.	100	April 28, 2010	Hospitality - Dormant
BHC5 S.A.L.	100	April 28, 2010	Hospitality - Dormant
BHC6 S.A.L.	100	April 28, 2010	Hospitality - Dormant
BHC7 S.A.L.	100	July 3, 2010	Hospitality - Dormant
BHC9 S.A.L.	100	June 28, 2010	Hospitality - Dormant
MATS S.A.L.	100	June 22, 2010	Hospitality - Dormant

The significant accounting policies adopted are set out below:

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

B. Foreign Currencies:

The functional and presentation currency is the U.S. Dollar, in accordance with the applicable law, which reflects the economic substance of the underlying events and circumstances of the Group. Transactions denominated in other currencies are translated into U.S. Dollar at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities stated in currencies other than the U.S. Dollar are translated at the rates of exchange prevailing at the end of the year. The resulting exchange gain or loss is reflected in the consolidated statement of profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

C. Financial Instruments:

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

i) Financial assets (after 1 January 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of Accounts and notes receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets at amortised cost (debt instruments)

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

ii) Financial assets (before 1 January 2018)

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavorable, it is classified as a financial liability. The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

(a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

(b) If the instrument will or may be settled in the Group's own equity instruments; it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and Receivables:

Loans and receivables which include investment in asset-backed securities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process.

Held-to-Maturity Investment Securities

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to maturity investments are carried at amortized cost.

Impairment and Uncollectibility of Financial Assets:

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset or group of assets and any impairment loss are determined based on the net present value of expected future cash flows discounted at original effective interest rates. Impairment losses are recognized in the consolidated statement of profit or loss.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Fair Value Measurement:

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

- In the principal market for the asset or liability; or

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

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

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

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

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

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

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

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

Derecognition:

Financial assets

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

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

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

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

Financial liabilities

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

Offsetting:

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

D. Inventory of Land and Projects in Progress:

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

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

E. Investment Properties:

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

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

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

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

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

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

F. Investment in Associates and Joint Ventures:

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

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

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

G. Fixed Assets:

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

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

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

H. Impairment of Tangible Assets:

At each consolidated statement of financial position date, the carrying amounts of tangible assets (investment properties, fixed assets and inventory of land and projects in progress) are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the balance sheet date less cost to sell, if any.
- Value in use assessed as the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only for applicable assets with cash generation units, as applicable.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The impairment loss is recognized in the consolidated statement of profit or loss.

I. Treasury Shares:

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

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

J. Revenue Recognition:

The standard introduces a 5 step approach to revenue recognition:

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

Revenue on land and real estate sales transactions is recognized on the basis of the full accrual method as and when the following conditions are met:

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

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

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the consolidated statement of financial position date.

Revenue from hospitality consists mainly of food and beverage revenue, and is recognized when the related services are provided.

Revenue from broadband network services is recognized when the service is rendered.

K. Cost of Land Sales:

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

L. Cash and Cash Equivalents:

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

M. Borrowing Costs:

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

All other borrowing costs are reflected in the consolidated statement of profit or loss in the period in which they are incurred.

N. Bank Borrowings:

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

O. Trade and other payables:

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

P. Taxation:

Current Tax

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

Rental income is subject to the built property tax in accordance with the Lebanese tax law.

Deferred tax

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

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

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

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

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

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

Q. Provisions:

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

R. Employees' End-of-Service Benefits:

The Group provides end-of-service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

S. Earnings per Share:

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

T. Dividends on shares

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

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

U. Fair Value Measurement:

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

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

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

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

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

The most significant estimate made by the Group is the determination of the aggregate cost of the Beirut Central District Project.

Going Concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the consolidated financial statements continue to be prepared on the going concern basis.

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

After 1 January 2018

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

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

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

Before 1 January 2018

An estimate of the collectible amount of accounts and notes receivable and investment in asset-backed securities is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is set up according to the length of time past due, based on historical recovery rates.

Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognized in the consolidated statement of profit or loss and other comprehensive income.

Impairment of Investment in Joint Ventures and Associates

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

Estimation of Net Realizable Value for Inventory of Property and Investment Properties

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

5. OPERATING SEGMENTS

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

- Real estate sales
- Real estate rental and rendered services

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

	December 31, 2018			
	Real Estate Sales	Real Estate Service and Other Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	1,954,197,514	615,967,889	(88,192,043)	2,481,973,360
Total liabilities	523,013,942	188,861,087	(13,224,885)	698,650,144

	December 31, 2018			
	Real Estate Sales	Real Estate Service and Other Services	Eliminations	Total
	US$	US$	US$	US$
Revenues	1,274,550	66,645,839	(1,683,972)	66,236,417
Cost of revenues	(726,020)	(31,799,429)	3,367,944	(29,157,505)
Gain on sale and disposal of investment properties	-	287,141	-	287,141
Net revenues from operations	548,530	35,133,551	1,683,972	37,366,053
Share of associates and joint ventures	-	(11,825,909)	-	(11,825,909)
General and administrative expenses	(26,723,188)	(3,030,411)	(1,683,972)	(31,437,571)
Depreciation of fixed assets	(2,459,692)	(286,488)	-	(2,746,180)
Write-off of receivables	(32,949,138)	(713,359)	-	(33,662,497)
Loss on rescheduled receivables	(2,213,291)	-	-	(2,213,291)
Provision for impairment, net	(34,935,091)	(111,896)	-	(35,046,987)
Provision for contingencies	(8,444,304)	(112,432)	-	(8,556,736)
Write-back of impairment of fixed assets, net	-	1,594	-	1,594
Other expense	(2,054,091)	(382,755)	-	(2,436,846)
Other income	-	2,332,902	(2,000,000)	332,902
Taxes, fees and stamps	(445,456)	(203,126)	-	(648,582)
Interest income	7,108,271	71,611	-	7,179,882
Interest expense	(33,644,502)	(80,665)	-	(33,725,167)
Loss on exchange	(79,372)	(695)	-	(80,067)
(Loss)/profit before tax	(136,291,324)	20,791,922	(2,000,000)	(117,499,402)
Income tax benefit/(expense)	1,900,966	(90,989)	-	1,809,977
(Loss)/profit for the year	(134,390,358)	20,700,933	(2,000,000)	(115,689,425)

	December 31, 2017			
	Real Estate Sales	Real Estate Service and Other Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	2,152,546,129	645,094,978	(85,913,726)	2,711,727,381
Total Liabilities	618,469,364	234,365,960	(40,979,831)	811,855,493

	December 31, 2017			
	Real Estate Sales	Real Estate Service and Other Services	Eliminations	Total
	US$	US$	US$	US$
Revenues	94,500	69,348,886	(1,743,645)	67,699,741
Cost of revenues	(17,487)	(34,869,138)	3,487,290	(31,399,335)
Gain on sale and disposal of investment properties	-	3,834,195	-	3,834,195
Net revenues from operations	77,013	38,313,943	1,743,645	40,134,601
Share of associates and joint ventures	-	1,926,028	-	1,926,028
General and administrative expenses	(30,545,776)	(3,829,031)	(1,743,645)	(36,118,452)
Depreciation of fixed assets	(2,565,024)	(719,107)	-	(3,284,131)
Write-off of receivables	(13,667,440)	(805,133)	-	(14,472,573)
Loss on rescheduled receivables	(685,432)	-	-	(685,432)
Provision for impairment	(77,137,000)	(4,524,528)	2,399,113	(79,262,415)
Provision for contingencies	(14,250,000)	-	-	(14,250,000)
Provision for impairment of fixed assets, net	-	(360,430)	-	(360,430)
Other expense	(818,613)	(1,060,606)	-	(1,879,219)
Other income	177,842	124,697	-	302,539
Taxes, fees and stamps	(419,081)	(224,461)	-	(643,542)
Interest income	22,082,860	84,627	-	22,167,487
Interest expense	(33,956,743)	(100,655)	-	(34,057,398)
Loss on exchange	(77,435)	(2,625)	-	(80,060)
(Loss)/profit before tax	(151,784,829)	28,822,719	2,399,113	(120,562,997)
Income tax benefit/(expense)	4,256,502	(61,261)	-	4,195,241
(Loss)/profit for the year	(147,528,327)	28,761,458	2,399,113	(116,367,756)

6. CASH AND BANK BALANCES

	December 31,	
	2018	2017
	US$	US$
Cash on hand	20,284	74,320
Checks for collection	13,237,344	-
Current accounts	8,252,367	9,681,506
Short term deposits	5,669,800	30,432,761
	27,179,795	-
Less: Allowance for expected credit losses	(157,352)	-
	27,022,443	40,188,587

Short term deposits mature within three months (December 31, 2017: same). The average yield on the term deposits for the year ended December 31, 2018 was approximately 4.43% (4.36% for the year ended December 31, 2017).

7. PREPAYMENTS AND OTHER DEBIT BALANCES

	December 31,	
	2018	2017
	US$	US$
Advance payments to contractors	4,110,603	9,589,163
Advances to employees	624,270	1,481,278
Accrued interest income (a)	146,205	24,088,516
Prepaid expenses	7,174,896	7,612,766
Deferred tax assets (b)	7,989,544	6,012,500
Due from associates, joint ventures and related parties (c)	2,008,882	1,270,347
Other debit balances, net (d)	31,133,044	10,160,091
	53,187,444	60,214,661

(a) Accrued interest income consists of the following:

	December 31,	
	2018	2017
	US$	US$
Interest on bank deposits	4,716	368,308
Interest on notes and accounts receivable	137,543	2,336,042
Interest on long term loan to a joint venture (Note 12(a))	21,379,846	21,384,166
Less: Provision for impairment (Note 12(a))	(21,375,900)	-
	146,205	24,088,516

(b) Deferred tax assets consist of the following:

	December 31,	
	2018	2017
	US$	US$
Deferred tax assets on unrealized profits from sales to a joint venture (Note 12 (a),15 (c))	1,827,500	1,612,500
Deferred tax asset on carry forward taxable losses (Note 15 (c))	6,162,044	4,400,000
	7,989,544	6,012,500

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

	December 31,	
	2018	2017
	US$	US$
Solidere International Limited (Associate)	32,261	21,647
City Makers S.A.R.L. (Related party)	65,526	6,791
BCD Cinemas S.A.L. (Associate)	1,665,517	987,120
Beirut Waterfront Development S.A.L. (Joint Venture)	-	13,097
ASB – Downtown S.A.L. (Associate)	245,578	241,692
	2,008,882	1,270,347

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

(d) Other debit balances amounting to US$34,433,115 are stated net of provisions in the amount of US$3,300,071 as at December 31, 2018 (December 31, 2017: US$13,058,597 net of provisions in the amount of US$2,898,506). The receivable balance as at December 31, 2018 includes a receivable balance from BCD2 Fund amounting to US$23,586,660 which was collected subsequently during January 2019 (Note 9). The movement of the provisions was as follows:

	December 31,	
	2018	2017
	US$	US$
Balance, beginning of the year	2,898,506	2,850,839
Impact of adopting IFRS9 at January 1	170,170	-
(Write-back)/additions, net	(122,805)	47,667
Adjustment	354,200	-
Balance, end of the year	3,300,071	2,898,506

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31,	
	2018	2017
	US$	US$
Notes receivable (a)	295,200,405	542,608,904
Accounts receivable (b)	4,485,723	4,543,890
Reserve account receivable from BCD 1 Fund (Note 9)	899,098	1,669,657
Reserve account receivable from BCD 2 Fund (Note 9)	7,178,969	-
Deferred charges from securitization of notes (Note 9)	11,379,950	10,785,886
Receivables from tenants (c)	40,354,859	55,099,614
Less: Unearned interest (a)	(54,324,622)	(92,512,336)
Less: Allowance for impairment (d)	(158,597,754)	(158,519,944)
	146,576,628	363,675,671

The Group's credit risk exposure in notes and accounts receivable is spread over 20 counter-parties; 7 customers constitute 90% of the total exposure and 13 customers constitute the remaining 10% as of December 31, 2018 (as of December 31, 2017, 28 counter-parties; 14 customers constitute 90% of the total exposure and 14 customers constitute the remaining 10%).

The Group's credit exposure in receivables from tenants is spread over a large number of counter-parties, however, 3 tenants constitute 66% of the total exposure as of December 31, 2018 (3 tenants constitute 71% of the total exposure as of December 31, 2017).

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:

	December 31,	
	2018	2017
	US$	US$
Doubtful balances	186,549,343	262,668,437
Overdue but not impaired	8,571,351	7,692,516
2018	-	35,046,420
2019	47,537,489	50,454,047
2020	17,158,788	64,365,216
2021 and above	35,383,434	122,382,268
	295,200,405	542,608,904

During 2018, the Group wrote-off doubtful receivables from five land sales made in previous years in the amount of US$32,949,138 (December 31, 2017: US$13,667,440) as per the settlement agreements with the debtor and recorded under "Write-off of receivables" in the consolidated statement of profit or loss and other comprehensive income.

(b) 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$23,574,067 as of December 31, 2018 (US$39,052,116 as of December 31, 2017).

During 2018, the Group wrote-off doubtful receivables from tenants in the amount of US$713,359 recorded under "Write-off of receivables" in the consolidated statement of profit or loss and other comprehensive income (US$805,133 during the year 2017).

(d) The movement of the provision for problematic receivables is as follows:

	December 31,	
	2018	**2017**
	US$	**US$**
Balance at the beginning of the year	158,519,944	90,191,759
Impact for adopting IFRS9 at January 1	450,131	-
Restated balance at January 1	158,970,075	90,191,759
Additions, net	12,335,136	70,224,748
Write-off	(12,707,457)	(1,896,563)
Balance at the end of the year	158,597,754	158,519,944

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.

Subsequent to the year end, the Group signed an addendum to one land sale contract entered into in previous years which resulted in the write-off of receivables in the amount of US$13,074,019 in 2019. These receivables were fully provided for as at December 31, 2018 under "Provision for impairment, net" in the consolidated statement of profit or loss and other comprehensive income.

9. 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$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 generation, a restructuring of the BCD 2 fund securities took place, whereas US$4.6million worth of Class A Notes and US$18.8million worth of Class B Notes were paid back to the Group. The restructuring proceeds are outstanding as at December 31, 2018 under other debit balances (Note 7 (d)).

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

			Carrying Amount December 31,		
Class of Notes	Final Issuance	Subscription Amount	2018	2017	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	10,558,924	22,573,845	5
Class C	10,160,450	10,160,450	10,160,450	10,160,450	-
	185,160,450	83,160,450	20,719,374	32,734,295	
BCD 2:					
Class A	56,777,280	6,985,775	6,546,883	-	7
Class B	24,333,120	24,333,120	24,333,120	-	-
	81,110,400	31,318,895	30,880,003	-	
Provision for impairment	-	-	(31,900,000)	(8,990,000)	
	266,270,850	114,479,345	19,699,377	23,744,295	

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 2018, an amount of US$770,559 was used to cover the shortfall in payments (US$1,506,058 during 2017).

The decrease in the reserve account in the aggregate of US$11,379,950 up to December 31, 2018 (US$10,785,886 up to December 31, 2017) 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 (Note8).

The movement of the reserve account receivable from BCD 1 Fund presented under "Accounts and notes receivable, net" (Note 8), is as follows:

	December 31,	
	2018	**2017**
	US$	**US$**
Balance at the beginning of the year	1,669,657	3,175,715
To cover shortfall in payments of principal and interest	(770,559)	(1,506,058)
Balance at the end of the year	899,098	1,669,657

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 and will be repaid by the BCD 2 Fund in accordance with the applicable priority of payments.

The Group placed a reserve account in the amount of US$7,178,969 as stipulated by the BCD 2 Fund's regulations, to cover any shortfall in payments of principal and interest of the asset-backed securities issued by the BCD 2 Fund and to cover the senior expenses of the BCD 2 Fund. According to the BCD 2 Fund regulations, the reserve account balance should be maintained at US$ 7,178,969 (Note 8).

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 (Note 8(d)).

During 2017, the Group setup a provision for impairment in the amount of US$8,990,000 recorded under "Provision for impairment, net" in the consolidated statement of profit or loss and other comprehensive income.

Interest income from the Funds:

Interest income on Fund 1 and Fund 2 in the amount of US$1,397,184 for the year 2018 (US$1,428,401 on Fund 1 for the year 2017) is recorded under "Interest income" in the consolidated statement of profit or loss and other comprehensive income (Note 25).

10. INVENTORY OF LAND AND PROJECTS IN PROGRESS

	December 31,	
	2018	2017
	US$	US$
Land and land development works, net (a)	1,058,727,608	1,030,558,146
Real estate development projects, net (b)	146,173,132	125,953,949
	1,204,900,740	1,156,512,095

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

		December 31,	
		2018	2017
		US$	US$
Acquired properties (a.1)		970,823,554	970,823,554
Pre-acquisition costs (a.2)		9,412,802	9,412,802
Infrastructure costs (a.3)		939,431,499	916,377,447
Eviction costs (a.4)		260,351,968	260,351,968
Capitalized costs (a.5)		111,401,388	105,559,958
Cumulative costs		2,291,421,211	2,262,525,729
Less:	Cost of land sold, net	(1,050,320,764)	(1,049,594,744)
	Cost of land transferred to real estate development projects (Note 10 (b))	(176,019,718)	(176,019,718)
	Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
		1,058,727,608	1,030,558,146

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

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

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

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

	December 31,	
	2018	**2017**
	US$	**US$**
Sea front defense	346,834,785	329,106,283
Work executed in the traditional BCD area	209,486,573	209,972,849
Land reclamation and treatment	103,550,252	103,328,440
Electricity power station	42,918,081	42,890,188
Borrowing costs (Note 28)	47,883,735	47,228,527
Other costs	188,758,073	183,851,160
	939,431,499	916,377,447

(a.4) Eviction costs represent the costs of relocating previous settlers out of the BCD area which were mainly paid through the Central Fund for the Displaced (a public authority).This caption is stated net of US$22.2million as of December 31, 2018 (US$22.2million as of December 31, 2017) representing a 10% charge on recuperated properties appraised values collected from original owners other than religious and governmental recuperated properties.

(a.5) Capitalized costs represent allocation of direct overheads. Costs capitalized during the year ended December 31, 2018 before indirect cost reallocation amounted to US$5.8million (US$5.7million during the year ended December 31, 2017) (Note 24).

(b) Real estate development projects include the following:

	December 31,	
	2018	2017
	US$	US$
Construction and rehabilitation of buildings	799,520,200	779,301,017
Cost of land (Note 10 (a))	176,019,718	176,019,718
Cumulative costs	975,539,918	955,320,735
Less: Cost transferred to investment properties, net	(754,965,156)	(754,965,156)
Cost transferred to fixed assets	(30,237,375)	(30,237,375)
Cost of real estate sold	(44,164,255)	(44,164,255)
	146,173,132	125,953,949

During 2018, the Group allocated interest expense to real estate development projects in the amount of US$630,593 (US$741,205 during 2017) (Note 28).

11. INVESTMENT PROPERTIES, NET

	Balance as at December 31, 2017	Additions	Transfers from/to fixed assets	Disposals and Sales	Balance as at December 31, 2018
	US$	US$	US$	US$	US$
Cost:					
Land	114,845,991	-		(291,591)	114,554,400
Buildings	557,153,323	3,191,162	-	(1,160,009)	559,184,476
Other assets	36,683,146	268,642	-	-	36,951,788
	708,682,460	3,459,804	-	(1,451,600)	710,690,664
Accumulated Depreciation					
Buildings	92,326,439	12,287,943	-	(233,768)	104,380,614
Other assets	20,381,828	1,466,961	-	-	21,848,789
	112,708,267	13,754,904	-	(233,768)	126,229,403
Net Book Value	595,974,193				584,461,261

	Balance as at December 31, 2016	Additions	Transfers from/to fixed assets	Disposals and Sales	Balance as at December 31, 2017
	US$	US$	US$	US$	US$
Cost:					
Land	115,179,450	-	315,369	(648,828)	114,845,991
Buildings	554,174,871	3,496,412	382,244	(900,204)	557,153,323
Other assets	36,191,555	500,983	-	(9,392)	36,683,146
	705,545,876	3,997,395	697,613	(1,558,424)	708,682,460
Accumulated Depreciation					
Buildings	81,393,960	11,043,505	61,201	(172,227)	92,326,439
Other assets	17,730,179	2,661,041	-	(9,392)	20,381,828
	99,124,139	13,704,546	61,201	(181,619)	112,708,267
Net Book Value	606,421,737				595,974,193

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

Disposals of land, building and other assets resulted in a gain of US$287,141 recorded under "Gain on sale and disposal of investment properties" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2018 (US$3,834,195 for the year ended December 31, 2017).

Depreciation for investment properties in the amount of US$13,754,904 for the year 2018 (US$13,704,546 for the year 2017) is recorded under "Depreciation of and charges on rented properties" in the consolidated statement of profit or loss and other comprehensive income (Note 22).

The fair value of the investment properties based on a valuation by an independent expert is approximately US$1.21billion as of December 31, 2018 (US$1.33billion as of December 31, 2017 based on a market capital approach estimated by the management).

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

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	December 31,	
	2018	2017
	US$	US$
Investment in Solidere International Limited (Associate)	381,279,843	390,387,018
Investment in BCD Cinemas S.A.L. (Associate)	1,187,828	1,104,279
Investment in Beirut Waterfront Development S.A.L. (Joint Venture) (a)	(10,844,958)	(7,999,242)
Investment in Beirut Real Estate Management and Services S.A.L. (Joint Venture)	22,212	14,781
Investment in ASB - Downtown S.A.L. (Associate)	247,076	215,022
Investment in STOW Waterfront Holding S.A.L.	506,000	506,000
	372,398,001	384,227,858
Long term loan to Beirut Waterfront Development S.A.L. (Joint Venture) (a)	36,540,000	36,540,000
Less: Provision for impairment (a)	(11,340,000)	-
	397,598,001	420,767,858

	December 31,	
	2018	2017
	US$	US$
Balance at the beginning of the year	420,767,858	418,029,589
IFRS 9 impact at 1 January 2018	(45,763)	-
Investment in STOW Waterfront Holding S.A.L	-	506,000
Share of the results of associates and joint ventures	(11,825,909)	1,926,028
Provision for impairment	(11,340,000)	-
Foreign currency translation reserve	41,815	306,241
Balance at the end of the year	397,598,001	420,767,858

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

			December 31,			
			2018		2017	
	Country of Incorporation	Ownership Interest	At Cost	Group's Share of Equity	At Cost	Group's Share of Equity
		%	US$	US$	US$	US$
Solidere International Limited (Associate)	UAE	39.11	238,530,173	381,279,843	238,530,173	390,387,018
BCD Cinemas S.A.L. Sal (Associate)	Lebanon	40.00	8,000	1,187,828	8,000	1,104,279
Beirut Waterfront Development S.A.L. (a) (Joint Venture)	Lebanon	50.00	11,385,075	(10,844,958)	11,385,075	(7,999,242)
Beirut Real Estate Management and Services (Joint Venture)	Lebanon	45.00	9,000	22,212	9,000	14,781
ASB - Downtown S.A.L. (Associate)	Lebanon	24.50	4,877	247,076	4,877	215,022
STOW Waterfront Holding S.A.L.	Lebanon	1.68	506,000	506,000	506,000	506,000
			250,443,125	372,398,001	250,443,125	384,227,858

(a) The Group entered into a joint venture agreement on February 11, 2004, with Stow Waterfront S.A.L. (Holding) to establish Beirut Waterfront Development S.A.L. with a 50% stake in the joint venture's total capital amounting to US$19,900. During the year 2006, the capital of the joint venture was increased to US$12,819,900 without changing the Group's share in the capital. The main activity of the joint venture is to develop, operate, manage, exploit and sell real estate properties in the Marina area in Beirut Central District.

As per the terms of the agreement, on December 31, 2005, the Group sold properties with an aggregate cost of US$10,100,000 from inventory of land and projects in progress, to the joint venture for a total consideration of US$31,600,000. As a result of the sale transaction, the Group realized 50% of the gain on the sale in the amount of US$10,750,000 in profit or loss in 2005 and deferred the unrealized gain on sales in the amount of US$10,750,000, recorded under "deferred revenues and other credit balances" in the consolidated statement of financial position, to be realized after realization of the sale of the properties to third parties (Note 17).

During 2015, the general assembly of shareholders of the joint venture approved a capital increase. The Group subscribed, in cash, in the capital increase for an amount of US$4,975,125 representing its share in the increase.

On June 27, 2006, the Group granted Beirut Waterfront Development S.A.L. a long term loan against issuance of bonds for a total amount of US$25.2million. This loan is subject to an annual interest of Libor + 2% but not less than 9%, payable on June 30 of each year. The total amount of this loan was due on June 30, 2011. During 2011, the maturity of the above loan was extended to June 30, 2016 with the same terms and conditions of the previous agreement and the accumulated interest up to June 30, 2011 in the amount of US$11,340,000 was capitalized with the original principal. Accumulated interest amounting to US$32,715,900 as of December 31, 2017 was deferred under "Deferred revenues and other credit balances" in the consolidated statement of financial position (Note 17) of which US$21,375,900 is recorded under "Prepayments and other debit balance" caption (Note 7(a)) (US$21,384,166 as of December 31, 2017.

During 2018, the board of directors decided to stop accruing interest for the years 2018 and 2019 and to recycle the deferred interest amounting to US$32,715,900 to the consolidated statement of profit or loss and other comprehensive income (Note 17). The Group provided for the recognized amount of US$11,340,000 of the previously capitalized interest and US$21,375,900 of interest on long term loan to a joint venture (Note 7(a)), recorded under "provision for impairment, net" in the consolidated statement of profit or loss and other comprehensive income, netting off the effect of the realized interest.

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

	2018			
	Solidere International Limited	Beirut Waterfront Development SAL	Other Associates and Joint Ventures	Total
	US$	US$	US$	US$
Total assets	1,063,914,655	174,138,730	12,302,968	1,250,356,353
Total liabilities	(26,966,276)	195,828,646	822,220	169,684,590
Non-controlling interest	62,057,448	-	-	62,057,448
Net assets	974,890,931	(21,689,916)	4,025,966	957,226,981
Group's share of net assets	**381,279,843**	**(10,844,958)**	**1,751,649**	**372,186,534**
Total revenue	4,884,881	13,787,371	12,549,965	31,222,217
Total cost of revenue	(4,296,543)	(13,644,986)	(4,863,564)	(22,805,093)
Loss for the year	(24,126,514)	(5,630,719)	307,259	(29,499,974)
Group's share of results-(loss)	**(9,107,175)**	**(2,845,716)**	**126,982**	**(11,825,909)**

	2017			
	Solidere International Limited	Beirut Waterfront Development SAL	Other Associates and Joint Ventures	Total
	US$	US$	US$	US$
Total assets	1,101,210,192	184,148,847	7,262,147	1,292,621,186
Total liabilities	40,135,299	200,147,331	4,468,593	244,751,223
Non-controlling interest	62,975,155	-	-	62,975,155
Net assets	998,099,738	(15,998,484)	2,793,554	984,894,808
Group's share of net assets	**390,387,023**	**(7,999,242)**	**1,117,422**	**383,505,203**
Total revenue	6,364,937	8,755,973	11,476,633	26,597,543
Total cost of revenue	(3,916,149)	(8,996,222)	(7,041,253)	(19,953,624)
Profit / (loss) for the year	21,674,990	(13,221,461)	1,102,022	9,555,551
Group's share of result – Gain / (loss)	**8,117,340**	**(6,610,731)**	**419,419**	**1,926,028**

13. FIXED ASSETS, NET

	Balance as at December 31, 2017	Additions	Transfers to Investment Properties & Projects in Progress	Disposals/ Write Off	Impairment	Balance as at December 31, 2018
	US$	US$	US$	US$	US$	US$
Cost:						
Land	5,856,869	-	-	-	-	5,856,869
Buildings	36,114,825	294,112	-	-	-	36,408,937
Marina	7,974,624	-	-	-	-	7,974,624
Furniture and fixture	9,527,916	6,464	-	(81,481)	691	9,453,590
Freehold improvements	21,999,629	6,874	-	-	-	22,006,503
Machines and equipment	37,762,606	316,175	-	(48,270)	903	38,031,414
Advances on fixed assets	(554,072)	-	-	-	-	(554,072)
	118,682,397	623,625	-	(129,751)	1,594	119,177,865
Accumulated Depreciation:						
Buildings	12,108,075	965,598	-	-	-	13,073,673
Marina	1,968,789	160,044	-	-	-	2,128,833
Furniture and fixture	5,639,656	249,448	-	(80,790)	-	5,808,314
Freehold improvements	10,430,662	789,445	-	-	-	11,220,107
Machines and equipment	37,885,194	581,645	-	(47,367)	-	38,419,472
	68,032,376	2,746,180	-	(128,157)	-	70,650,399
Net Book Value	50,650,021					48,527,466

	Balance as at December 31, 2016	Additions	Transfers to Investment Properties & Projects in Progress	Disposals / Write Off	Impairment	Balance as at December 31, 2017
	US$	US$	US$	US$	US$	US$
Cost:						
Land	6,172,238	-	(315,369)	-	-	5,856,869
Buildings	36,361,898	135,171	(382,244)	-	-	36,114,825
Marina	7,866,624	108,000	-	-	-	7,974,624
Furniture and fixture	9,922,385	32,490	-	(360,478)	(66,481)	9,527,916
Freehold improvements	24,173,198	70,779	-	(2,129,646)	(114,702)	21,999,629
Machines and equipment	37,562,869	478,163	-	(99,179)	(179,247)	37,762,606
Advances on fixed assets	(552,878)	-	-	(1,194)	-	(554,072)
	121,506,334	824,603	(697,613)	(2,590,497)	(360,430)	118,682,397
Accumulated Depreciation:						
Buildings	11,191,285	977,991	(61,201)	-	-	12,108,075
Marina	1,818,078	150,711	-	-	-	1,968,789
Furniture and fixtures	5,498,907	417,743	-	(276,994)	-	5,639,656
Freehold improvements	10,483,502	981,146	-	(1,033,986)	-	10,430,662
Machines and equipment	37,210,970	756,540	-	(82,316)	-	37,885,194
	66,202,742	3,284,131	(61,201)	(1,393,296)	-	68,032,376
Net Book Value	55,303,592					50,650,021

During 2018, a write-back of provision for impairment of fixed assets used in the hospitality industry amounted to US$1,594 (provision in the amount of US$360,430 during 2017) was recorded in the consolidated statement of profit or loss under "Provision/write back for impairment of fixed assets".

The depreciation for the year ended December 31, 2018 and 2017 is included under "Depreciation of fixed assets" in the consolidated statement of profit or loss.

14. BANK OVERDRAFTS AND SHORT TERM FACILITIES

	December 31, 2018	December 31, 2017
	US$	US$
Bank overdrafts	59,138,400	83,725,628
Short term facilities	62,913,554	147,000,000
	122,051,954	230,725,628

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

Facility Amount	Maturity Date	Interest Rate	Covenants	Outstanding Balance December 31, 2018	2017
US$		%		US$	US$
50,000,000	31-Jul-19	BRR+1	(a)	51,092,500	50,000,000
9,000,000	27-Dec-19	BRR+1.25 (min. 9.50%)	(b)	11,821,054	12,000,000
35,000,000	3-Feb-18	5.50	(c)	-	35,000,000
50,000,000	25-Dec-18	BRR+0.25 (min. 7.25%)	(d)	-	50,000,000
				62,913,554	147,000,000

(a) During 2017, the US$75,000,000 short-term facility was restructured to become US$50,000,000 as a short-term facility and US$25,000,000 as an overdraft facility. The covenants of the facility stipulate that the Company maintains a minimum equity of US$1billion, a minimum equity to assets ratio of 40%, and a maximum debt to equity ratio of 50%. During 2018, the US$50,000,000 short-term facility was renewed for one year while changing the interest rate from 6.25% to BRR+1.

(b) The covenants of the facility stipulate that the Company should maintain a minimum total equity balance of US$1billion, a minimum equity to assets ratio of 40% and a maximum debt to equity ratio of 1.2:1. The US$3,000,000 payment due in 2018 was paid in January 2019 and the remaining amount was rescheduled with the final settlement of US$9million on December 27, 2019 while changing the interest rate from 7.85% to BRR+1.25 with a floor of 9.50%.

(c) During 2018, the Group signed a new agreement for this short term facility which was transferred to term loans (Note 18-i).

(d) During 2018, the Group signed a new agreement for this short term facility which was transferred to term loans (Note 18-l).

Interest expense on bank overdrafts for the year ended December 31, 2018 amounted to US$6,994,186 and is recorded under "Interest expense" in the consolidated statement of profit or loss and other comprehensive income (US$5,367,745 for the year ended December 31, 2017) (Note 28).

Interest expense on short term facilities for the year ended December 31, 2018 amounted to US$8,504,029 (US$9,984,421 for the year ended December 31, 2017) and is recorded under "Interest expense" in the consolidated statement of profit or loss and other comprehensive income (Note 28).

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	December 31,	
	2018	2017
	US$	US$
Accounts payable (a)	39,751,782	48,363,127
Accrued charges and other credit balances (b)	29,410,798	41,874,829
Taxes payable (c)	11,288,032	28,330,220
Provision for end-of-service indemnity and other charges (d)	10,414,651	13,068,155
Provision for contingencies (e)	30,795,132	27,811,435
Due to related parties and a joint venture (f)	1,885,741	1,730,864
Accrued interest payable	1,288,869	1,307,327
	124,835,005	162,485,957

(a) Accounts payable as of December 31, 2018 and 2017 include balances in the aggregate amount of US$13.8million due to the Lebanese Government in consideration of the exchange of assets agreement explained in Note 32 (f).

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

	December 31,	
	2018	2017
	US$	US$
Deposits from Tenants	2,859,226	2,934,747
Accrued municipality expenses	1,000,000	1,000,000
Accruals for project cost	14,367,259	20,458,651
Accruals for employees and management benefits	-	1,153,357
Accruals for utility cost	4,995,397	3,984,496
Other	6,188,916	12,343,578
	29,410,798	41,874,829

(c) Taxes payable consist of the following:

	December 31,	
	2018	2017
	US$	US$
Value added tax (VAT) payable (c.1)	3,500,191	5,916,729
Accrued income tax (c.2)	345,682	315,954
Additional tax assessment (c.3)	3,920,871	14,931,963
Taxes withheld	645,743	697,524
Built property tax payable	2,875,545	6,468,050
	11,288,032	28,330,220

(c.1) Value added tax (VAT)

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

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

(c.2) Income tax

The applicable tax rate in Lebanon is 17% as of October 26, 2017 (previous periods:15%) according to the Lebanese income tax law.

The accrued income tax for the years 2018 and 2017 are segregated as follows

	December 31,	
	2018	2017
	US$	US$
Solidere S.A.L. (c.2.1)	254,693	254,693
Solidere Management Services S.A.L. (c.2.2)	83,688	53,960
Solidere Management Services (Offshore) S.A.L.	667	667
Solidere International Holding S.A.L.	3,317	3,317
BHC Holding S.A.L.	3,317	3,317
	345,682	315,954

The accrued income tax for the years 2018 and 2017 were estimated as follows:

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

	December 31,	
	2018	2017
	US$	US$
Loss before tax	(113,946,189)	(122,778,190)
Add: Non-deductible provisions and charges	121,391,754	115,657,680
Less: Rent revenue from built up property (Net)	(15,172,329)	(20,885,808)
Taxable loss	(7,726,764)	(28,006,318)
Applicable tax rate	17.00%	15.39%
Accrued income tax	-	-
Accrued income tax	-	-
Other taxes	76,078	143,498
Less: Deferred tax asset (Note 7 (b))	(1,977,044)	(4,400,000)
Income tax benefit	(1,900,966)	(4,256,502)

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

	December 31,	
	2018	2017
	US$	US$
Profit before tax	456,042	350,539
Add: Non-deductible provisions and charges	36,240	765
Taxable profit	492,282	351,304
Applicable tax rate	17.00%	15.36%
Income tax expense	83,688	53,960

(c.3) Additional tax assessment:

	December 31,	
	2018	2017
	US$	US$
Opening	14,931,963	5,821,392
Transfer from provision for contingencies (Note 15(e))	1,275,187	12,271,843
Settlements	(12,286,279)	(3,161,272)
Ending	3,920,871	14,931,963

During 2016, the Company's accounts and income tax returns for the years 2011 and 2012 were reviewed by the tax authorities. The final outcome of the examination was issued on February 8, 2018 following management's appeal submitted on May 3, 2017 and the additional tax liability amounts to US$8,344,945 of which an amount of US$1,940,111 is outstanding as of December 31, 2018 and has been subsequently settled during 2019.

During 2018, the Company settled a tax liability in the amount of US$7,853,727 as final settlement of the tax review for the years 2007 to 2010.

Also during 2018, the Company's accounts and income tax returns for the year 2013 were received by the tax authorities, the final outcome of the examination was issued on February 28, 2019 following management's appeal submitted on January 28, 2019 and the additional tax liability amounting to US$1,980,760.

The Company's accounts and income tax returns for the years 2014 until 2018 are still subject to examination and final assessment by the tax authorities.

The years 2013 until 2015 were subject to examination and final assessment by tax authorities during 2018 resulting in additional tax, however in amount that was previously settled hence the Company issued a VAT claim to the relevant authorities which is pending further studies.

The VAT declarations for the years 2016 until 2018 are still subject to examination and final tax assessment by the VAT authority. Any additional tax liability is pending the results of this review.

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

	December 31,	
	2018	2017
	US$	US$
Balance at the beginning of the year	13,068,155	13,722,190
Additions	847,967	1,307,123
Settlements	(1,346,175)	(1,034,972)
Write-back	(2,155,296)	(926,186)
Balance at the end of the year	10,414,651	13,068,155

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

	December 31,	
	2018	2017
	US$	US$
Balance at the beginning of the year	27,811,434	26,093,149
Additions	8,556,736	14,250,000
Reallocated provision	-	(204,429)
Transfer to additional tax assessment (Note 15(c))	(1,275,187)	(12,271,843)
Settlements	(6,533,488)	(55,442)
Adjustments	2,235,637	-
Balance at the end of the year	30,795,132	27,811,435

Management initiated a comprehensive exercise during the year 2017, to address some discrepancies and ensure the accuracy of the share register and other commitments and contingent liabilities. Following the completion of the exercise, Management addressed the shortage and set up a provision of US$4million to cover probable liabilities in this regard, recorded under "provision for contingencies" in the consolidated statement of profit or loss and other comprehensive income during the year 2017, and is the process of regularizing discrepancies. During 2018, management finalized the regularization process and resolved the identified discrepancy.

Furthermore, the Group setup during 2017 a provision for claims raised by one of its customers in the amount of US$2,750,000 after the issuance of the arbitration ruling dated December 18, 2017, recorded under provision for contingencies in the consolidated statement of profit or loss and other comprehensive income, of which an amount of US$500,000 was settled during 2018.

During 2018, the Group set up an employee redundancy provision in the amount of US$4.5million (2017: US$6million) recorded under "Provision for contingencies" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2018.

(f) Due to related parties and a joint venture consist of the following:

	December 31,	
	2018	2017
	US$	US$
GroupMed Insurance and Reinsurance Company S.A.L.	1,799,635	1,659,099
GroupMed Insurance Brokers – Lebanon S.A.L.	71,765	71,765
Beirut Waterfront Development S.A.L. (joint venture)	14,341	-
	1,885,741	1,730,864

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

16. DIVIDENDS PAYABLE

General Assembly Date	Dividend Per share	Declared	Settled/ Distributed up to December 31, 2018	December 31, 2018 Payable	December 31, 2017 Payable
	US$	US$	US$	US$	US$
June 29, 1996	0.2	30,918,413	29,485,681	1,432,732	1,436,154
June 30, 1997	0.25	40,367,172	37,738,217	2,628,955	2,633,324
June 29, 1998	0.25	39,351,753	36,193,428	3,158,325	3,162,531
June 23, 2003	Stock dividend	19,625,550	19,606,235	19,315	19,315
June 12, 2006	0.6	94,831,106	90,848,334	3,982,772	4,026,364
June 22, 2007	1	155,093,702	148,655,514	6,438,188	6,507,717
July 15, 2008	1	155,090,832	145,965,718	9,125,114	9,203,299
July 13, 2009	1.15	176,479,957	166,389,224	10,090,733	10,197,879
July 19, 2010	1.15	175,228,434	163,669,910	11,558,524	11,679,675
August 1, 2011	0.4	60,912,291	57,726,870	3,185,421	3,230,336
August 1, 2011	Stock dividend	85,987,850	85,987,850	-	-
July 30, 2012	0.25	39,316,239	36,284,566	3,031,673	3,094,851
July 30, 2012	Stock dividend	42,744,616	42,744,616	-	-
July 13, 2015	0.1	16,015,415	14,364,620	1,650,795	1,747,015
July 13, 2015	Stock dividend	36,859,996	36,859,996	-	-
June 27, 2016	0.1	16,302,491	13,091,851	3,210,640	3,358,031
June 27, 2016	Stock dividend	19,070,313	19,070,313	-	-
		1,204,196,130	1,144,682,943	59,513,187	60,296,491

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

17. DEFERRED REVENUES AND OTHER CREDIT BALANCES

	December 31,	
	2018	2017
	US$	US$
Cash down payments and commitments on sale contracts	5,094,852	3,043,643
Deferred rental revenue and related deposits	14,807,615	13,661,704
Unrealized gain on sale of properties to a joint venture (Note 12(a))	10,750,000	10,750,000
Deferred interest revenue on a loan to a joint venture (Note 12(a))	-	32,715,900
	30,652,467	60,171,247

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

18. LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

Loan Amount		Maturity	Interest	Loan Repayment	Outstanding Balance December 31,	
2018	2017	Date	Rate	and Covenants	2018	2017
US$	US$		%		US$	US$
24,559,903	24,559,903	February 1, 2018	6.25	(a)	-	4,559,903
15,000,000	15,000,000	February 1, 2018	5.75	(b)	-	5,000,000
35,000,000	35,000,000	April 5, 2018	6.5	(c)	-	10,000,000
3,255,000	3,255,000	December 31, 2018	6.5	(d)	-	649,081
50,000,000	50,000,000	June 30, 2019	5.5	(e)	35,000,000	42,500,000
24,000,000	24,000,000	August 4, 2019	BRR-1.15	(f)	6,000,000	12,000,000
50,000,000	50,000,000	December 30, 2020	BRR+0.45	(g)	31,250,000	37,492,965
-	75,000,000	November 3, 2020	BRR-0.75	(h)	-	60,000,000
95,000,000	-	December 29, 2021	BRR+1	(i)	88,000,000	-
40,000,000	40,000,000	December 30, 2021	BRR-0.85	(j)	28,000,000	28,000,000
100,000,000	100,000,000	June 25, 2022	6.25	(k)	79,999,742	89,999,943
50,000,000	-	December 25, 2022	BRR+0.75	(l)	49,999,744	-
30,000,000	-	December 25, 2022	BRR+0.75	(m)	29,999,881	-
19,300,000	19,300,000	December 8, 2024	BRR-0.85	(n)	13,348,164	7,974,278
					361,597,531	298,176,170

(a) The repayment of the loan will be through 4 equal quarterly installments of US$5,000,000 each, starting February 1, 2017, and the remaining balance to be settled on February 1, 2018. During 2018, the Group fully settled the loan balance at maturity.

(b) The repayment of the loan will be through 3 equal installments of US$5,000,000 each, on February 1, 2017, May 1, 2017 and the final settlement on February 1, 2018. During 2018, the Group fully settled the loan balance at maturity (US$10,000,000 was settled during 2017).

(c) During 2017, the loan was restructured and the final repayment of US$10million will be paid in one installment on April 5, 2018. During 2018, the Group fully settled the loan balance (US$5million was settled during 2017).

(d) The purpose of the loan is the purchase of an apartment, plot 1456 of Mina el Hosn. Accordingly, the Group granted the bank a first degree mortgage over the above mentioned apartment. The repayment of the loan will be through 5 annual payments of US$651,000 each, starting December 31, 2014. During 2018, the Group fully settled the loan balance at maturity (US$651,000 was settled during 2017).

(e) During 2016, the loan was restructured and will be paid through 4 equal semi-annual installments of US$5,000,000 each, starting June 30, 2017, with the final remaining balance to be settled on June 30, 2019. An amount of US$7.5million was settled during 2018 related to the first semi-annual payment and the remaining 50% of the second semi-annual payment rescheduled from 2017. The second semi-annual payment due on December 2018 was rescheduled to January 2019 (an amount of US$5million was settled during June 2017 and only 50% of the second semi-annual payment of US$2.5million was settled during December 2017). Subsequent to yearend, the Group settled the overdue balance of US$5million and settled additional US$2.5million. The remaining loan balance of US$27.5million was rescheduled to 11 quarterly installments starting March 31, 2019 and the final settlement on December 31, 2021. The covenants of the loan stipulate that the Company should maintain a maximum debt to equity ratio of 1:1 and a minimum current ratio of 1.2:1.

(f) The repayment of the loan will be through 4 equal annual installments of US$6million each, starting August 4, 2016 with the final settlement on August 4, 2019. An amount of US$6million was settled during 2018 (US$6million was settled during 2017). Subsequent to yearend, the Company fully settled the loan balance prior to maturity. The covenants of the loan stipulate that the Company should maintain total debt to equity not to exceed 1:2 and net banks debt to equity not to exceed 1:3. Also, the covenants of the loan stipulate that the Company should maintain a minimum of 750,000 square meters of built up floor space in BCD and US$1billion in net tangible assets free from any liens.

(g) During 2018, the loan was restructured and will be paid through 6 equal semi-annual installments of US$6,250,000 each, starting June 30, 2018 with the final settlement on December 30, 2020. An amount of US$6,242,965 was settled during 2018. These installments will be subject to interest rate of BRR + 0.45% with a minimum of 7.75% p.a. (previously 6.75% p.a.). Subsequent to yearend, the Group settled the overdue balance of the second semi-annual payment in the amount of US$6,250,000. The covenants of the agreement stipulate that the Company maintains a minimum equity balance of US$1billion, a maximum debt to equity ratio of 50% and a minimum equity to assets ratio of 40%.

(h) During 2017, the loan was restructured and will be paid through 3 equal installments of US$15,000,000 each, starting November 3, 2017, with the final remaining balance of US$30,000,000 to be settled on November 3, 2020. An amount of US$15million was settled during 2017. During 2018, the Group settled this loan by signing a new loan contract amounting to US$95,000,000 (Note 18 (i)).

(i) During 2018, the Group signed a new loan contract amounting to US$95million which will be settled through 8 semi-annual installments starting November 21, 2018; with the final remaining balance to be settled on December 29, 2021. This loan was used to settle another loan amounting to US$60million (Note18-h) in addition to an overdraft of US$35million (Note14(c)). An amount of US$7million was settled during 2018. The covenants of the loan stipulate that the Company should maintain a maximum debt to equity ratio of 1:1 and a minimum of US$1.75billion in net tangible assets. Subsequent to yearend, the Group settled early an amount of of US$30million.

(j) The repayment of the loan will be through 6 annual installments, with the first installment of US$5million due on December 30, 2016, and the remaining 5 equal installments of US$7million due annually with the final settlement on December 30, 2021. The US$7million payment due during 2018 was subsequently settled during January 2019 (US$7million was settled during 2017). The covenants of the loan stipulate that the Company should maintain total debt to equity not to exceed 1:2 and net banks debt to equity not to exceed 1:3. Also, the covenants of the loan stipulate that the Company should maintain a minimum of 750,000 square meters of built up floor space in BCD and US$1billion in net tangible assets free from any liens.

(k) The repayment of the loan will be through 10 equal semi-annual installments of US$10million each, starting December 25, 2017 with the final settlements on June 25, 2022. An amount of US$10million was settled during 2018 (US$10million was settled during 2017). Subsequent to yearend, the Company settled the second semi-annual payment of US$10million overdue. The covenants of the loan stipulate that the Company should maintain a minimum equity balance of US$1billion, a minimum equity to assets ratio of 40% and a maximum debt equity ratio of 50%.

(l) During 2018, the Group restructured an overdraft in the amount of US$50million (Note 14(d)) was restructured into long term loan. The repayment of the loan will be through 5 annual installments, starting December 25, 2018 with the final remaining balance of US$15million to be settled on December 25, 2022. Subsequent to yearend, the Group settled an amount of US$5million related to 2018 overdue payment.

(m) During 2018, the Group restructured an overdraft in the amount of US$30million (Note 14 (c)). The repayment of the loan will be through 3 equal annual installments of US$10million each, starting December 25, 2020 with the final settlement on December 25, 2022.

(n) The purpose of the loan is to finance the project of North Souks Department Stores. During 2018, US$5,373,886 was disbursed from the loan balance (US$8,000,000 was disbursed during 2017). The remaining balance to be disbursed gradually before the ending of the grace period of 3 years. The repayment of the loan will be through 4 annual settlements starting with 12% of the loan balance one year after the end of the grace period, 30% after 2 years, 39% after 3 years and the final settlement of the remaining balance after 4 years. The covenants of the loan stipulate that the Company should maintain debt to equity ratio not to exceed 1:2, net banks debt to equity not to exceed 1:3, and to maintain a minimum of 750,000 square meters of built-up floor space in BCD. Also, the covenants of the loan stipulate that the Company should maintain US$1billion in net tangible assets free from any liens.

Term bank loans carry the following maturities:

	December 31,	
	2018	2017
	US$	US$
2018	-	99,458,984
2019	138,750,000	96,742,965
2020	89,500,000	57,956,914
2021	86,601,780	29,392,283
2022	38,523,282	13,109,911
2023	3,206,763	1,515,113
2024	5,015,706	-
	361,597,531	298,176,170

Early redemption of term bank loans is not subject to penalty provided the redemption is in accordance with the terms and conditions stated in the loans agreements

Interest expense on term bank loans for the year 2018 amounted to US$19,406,604 (US$20,531,708 for the year 2017) and is recorded under "Interest expense" in the consolidated statement of profit or loss (Note 28).

19. CAPITAL

Capital as at December 31, 2018 and 2017 consists of 165,000,000 shares of US$10 par value, authorized and fully paid and divided in accordance with Law 117/91 into the following:

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

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

20. LEGAL RESERVE

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

21. REVENUES FROM RENDERED SERVICES

	Year Ended December 31,	
	2018	2017
	US$	US$
Services rendered to customers	3,033,775	2,562,914
Broadband network revenues	5,064,021	4,876,191
	8,097,796	7,439,105

22. DEPRECIATION OF AND CHARGES ON RENTED PROPERTIES

	Year Ended December 31,	
	2018	2017
	US$	US$
Depreciation expense (Note 11)	13,754,904	13,704,546
Property taxes	1,316,728	5,558,530
Manpower	7,536,760	7,250,605
Advertising	374,026	116,949
Electricity, maintenance and other related charges	8,081,544	8,478,570
Recoveries from tenants	(7,847,575)	(8,050,099)
	23,216,387	27,059,101

Manpower includes reallocated salaries, benefits and related charges in the aggregate amount of US$4,775,709 during the year ended December 31, 2018 (US$4,718,990 during the year ended December 31, 2017) (Note 24).

23. COST OF RENDERED SERVICES

	Year Ended December 31,	
	2018	2017
	US$	US$
Cost of services rendered to customers	825,093	307,969
Broad band network cost of services rendered	4,345,967	3,719,461
	5,171,060	4,027,430

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended December 31,	
	2018	2017
	US$	US$
Salaries, benefits and related charges	17,666,993	22,884,522
Termination indemnities	7,622,232	4,343,441
Board of directors' remunerations	240,000	300,000
Professional services	1,998,076	2,829,128
Promotion and advertising	213,817	655,483
Utilities, office, maintenance and other similar expenses	2,592,006	2,759,567
Travel and accommodation	271,042	644,687
Other expenses	833,405	1,701,624
	31,437,571	36,118,452

The Group reallocated salaries, benefits and related charges and administrative expenses amounting to US$5,841,430 to construction cost during the year ended December 31, 2018 (US$5,673,345 during the year ended December 31, 2017) (Note 10 (a.5)).

The Group reallocated salaries, benefits and related charges amounting to US$4,775,709 to charges on rented property during the year ended December 31, 2018 (US$4,718,990 during the year ended December 31, 2017) (Note 22).

25. INTEREST INCOME

	Year Ended December 31,	
	2018	2017
	US$	US$
Interest income from notes and accounts receivable	5,096,688	17,984,242
Interest income from banks	686,010	2,754,844
Interest income from asset-backed securities (Note 9)	1,397,184	1,428,401
	7,179,882	22,167,487

26. OTHER EXPENSE

	Year Ended December 31,	
	2018	2017
	US$	US$
Loss on sale of fixed assets, net	-	945,461
Other expenses	2,436,846	933,758
	2,436,846	1,879,219

27. OTHER INCOME

	Year Ended December 31,	
	2018	2017
	US$	US$
Income from events and activities	166,749	301,430
Gain on sale of fixed assets, net	4,426	-
Other	161,727	1,109
	332,902	302,539

28. INTEREST EXPENSE

	Year Ended December 31,	
	2018	2017
	US$	US$
Interest expense on short and medium term facilities (Note 14)	8,504,029	9,984,421
Interest expense on bank overdrafts (Note 14)	6,994,186	5,367,745
Interest expense on term bank loans (Note 18)	19,406,604	20,531,708
Interest expense allocated to infrastructure costs (Note 10(a.3))	(655,208)	(1,211,738)
Interest expense allocated to real estate development projects (Note 10(b))	(630,593)	(741,205)
Bank commissions and charges	106,149	126,467
	33,725,167	34,057,398

29. BASIC/DILUTED EARNINGS PER SHARE

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

The weighted average number of shares to compute basic and diluted loss per share is 165,000,000 shares for the year 2018 and 2017.

30. NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	Year Ended December 31,	
	2018	2017
	US$	US$
Depreciation of fixed assets (Note 13)	2,746,180	3,284,131
Depreciation of investment properties (Note 11 & 22)	13,754,904	13,704,546
Depreciation charge for the year	16,501,084	16,988,677

(b) Interest expense consists of the following:

	Year Ended December 31,	
	2018	2017
	US$	US$
Interest charged as period cost (Note 28)	33,725,167	34,057,398
Interest expense allocated to inventory of land and projects in progress (Note 10 (a.3) and Note 10 (b))	1,285,801	1,952,943
Total interest expense	35,010,968	36,010,341

(c) Non-cash transactions in investing activities include cumulative foreign currency translation reserve in the amount of US$41,815 which was excluded from investment in associates and joint ventures against cumulative foreign currency translation reserve under equity (US$306,241 for the year ended December 31, 2017).

(d) Non-cash transactions in operating activities include accrued interest income on long term loan to a joint venture in the amount of US$ nil for the year ended December 31, 2018 (US$3,288,600 for the year ended December 31, 2017) which was excluded from prepayments and other debit balances against deferred revenues and other credit balances.

(e) Cash and cash equivalents comprise the following:

	Year Ended December 31,	
	2018	2017
	US$	US$
Cash on hand (Note 6)	20,284	74,320
Checks under collection (Note 6)	13,237,344	-
Current accounts (Note 6)	8,252,367	9,681,506
Short term deposits (Note 6)	5,669,800	30,432,761
Bank overdrafts (Note 14)	(59,138,400)	(83,725,628)
	(31,958,605)	(43,537,041)

31. RELATED PARTY TRANSACTIONS

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

Cash and bank balances include US$5,402,840 as of December 31, 2018 (US$9,641,538 as of December 31, 2017) representing current accounts and short term deposits with local banks who are significant but minority shareholders of the Group.

Bank overdrafts and short term facilities include US$ nil as of December 31, 2018 (US$44,094,022 as of December 31, 2017) representing short term facilities and overdrafts with a local bank who is a significant but minority shareholder of the Group.

Term loans include US$88,000,000 as of December 31, 2018 (US$60,000,000 as of December 31, 2017) representing a term loan with a local bank who is a significant but a minority shareholder of the Group.

Included under "Interest expense" in the consolidated statement of profit or loss and other comprehensive income an amount of US$6,364,280 for the year ended December 31, 2018 (US$11,114,650 for the year ended December 31, 2017) representing interest expense on short term facilities, overdrafts and term loans with a local bank who is a significant but minority shareholder of the Group.

Included under "Interest income" in the consolidated statement of profit or loss and other comprehensive income an amount of US$579,852 for the year ended December 31, 2018 (US$1,711,957 for the year ended December 31, 2017) representing interest income on 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 with whom the Group has various banking activities.

Total benefits of executives and members of the Board of Directors (including salary, bonus, remuneration, termination and others), included within "General and administrative expenses", for the year ended December 31, 2018 amounted to US$4,377,415 (US$2,706,400 for the year ended December 31, 2017).

The Group has a total net receivables balance due from related parties amounting to US$123,141 as of December 31, 2018 (net payable balance of US$460,517 as of December 31, 2017) (Notes 7 and 15).

Accrued interest income on a long term loan of US$36.54million granted by the Group to Beirut Waterfront Development S.A.L., a joint venture, amounted to US$nil as of December 31, 2018 (US$21,375,900 as of December 31, 2017), Notes 7(a) and 12(a).

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.

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.

32. COMMITMENTS AND CONTINGENCIES

(a) An agreement between the Group and the Council for Development and Reconstruction ("CDR") was promulgated through Decree No. 5665 dated September 21, 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Group was granted 291,800sqm of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Group of the sea landfill and infrastructure works.

(b) The total projected cost for completion of the BCD project 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 December 31, 2018 amounted to approximately US$75million (US$136million as of December 31, 2017).

(d) The Group has submitted to the "CDR" claims aggregating to US$13.6million representing mainly change orders to infrastructure works in the traditional BCD which were incurred by the Group on behalf of the Government. These claims were neither approved nor confirmed by the concerned party nor recorded as receivables in the accompanying financial statements.

(e) The Group is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors. On the basis of advice received from the external legal counsel and the Group's technical department, the directors are of the opinion that any negative outcome thereof, if any, would not have a material adverse effect on the financial position of the Group.

(f) On June 7, 1997, the Group signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Group acquired additional built up area of approximately 58,000sqm and 556,340 Class A shares in exchange for approximately 15,000sqm and the payment of US$38.7million to restore governmental buildings. US$25million have already been paid and accounted for and the balance of US$13.8million continues to be included under accounts payable. According to the terms of the agreement, the Group undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings belonging to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined as of date and has not been reflected in the accompanying 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 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 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. 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$3,205,000 as at December 31, 2018 (as at December 31, 2017 commitments and contingencies in the form of letters of guarantee in the amount of US$3,131,764).

33. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and 2017.

The capital structure of the Group consists of debt and equity. Debt consists of total liabilities less cash and bank balances. Equity comprises capital, reserves, retained earnings, cumulative foreign currency transactions, cumulative change in fair value and deficit on treasury shares' activity less treasury shares.

The Group monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at December 31, 2018 and 2017 was as follows:

	December 31,	
	2018	2017
	US$	US$
Total liabilities	698,650,144	811,855,493
Less: Cash and bank balances	(27,022,443)	(40,188,587)
Total debt	671,627,701	771,666,906
Total equity	1,783,323,216	1,899,871,888
Gearing ratio	0.38	0.41

34. RISK MANAGEMENT

The Group's principal financial liabilities comprise bank loans, bank overdrafts and short term facilities, deferred revenues and other credit balances, dividends payable and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise funds for the Group's operations. The Group has various financial assets such as accounts and notes receivable and cash and bank balances, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and approves policies for managing each of these risks which are summarized below:

(a) Interest Rate Risk:

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other conditions held constant, of the Group's profit before tax.

	Increase/ Decrease in Basis Points	Effect on Profit Before Tax US$
2018:		
US Dollar	+50	850,206
US Dollar	-25	(425,103)
2017:		
US Dollar	+50	587,396
US Dollar	-25	(293,698)

(b) Foreign Currency Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not materially exposed to currency risk since the majority of its financial assets and liabilities are denominated in U.S. Dollar.

(c) Credit Risk:

The Group's credit risk is primarily attributable to its liquid funds, receivables, and other debit balances. The amounts presented in the consolidated statement of financial position are stated at net realizable value, estimated by the Group's management based on prior experience and the current economic conditions.

The Group's liquid funds are placed with prime banks.

Accounts and notes receivable

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

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

The Group's credit risk exposure with respect to accounts and notes receivable is disclosed under Note 8.

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

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

(d) Liquidity Risk:

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and short term bank facilities and bank loans.

As of December 31, 2018 and 2017, the Group's current liabilities exceeded its current assets. In order for the Group to meet its funding requirements and obligations, management developed a plan to restructure and renegotiate its bank loans and facilities for longer maturities. Furthermore, management setup a new sales strategy and collection incentives to increase its liquidity. The plan was approved by the Board of Directors during its meeting held on May 30, 2018. Subsequent to year end, the Group signed six land sale contracts for a total of US$125,890,000 of which US$62,187,500 was already collected and managed to early settle part of its loan installments and obligations

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

	December 31, 2018				
	No Maturity	Less than 3-Months	3-12 Month	1 to 5 Years	Total
	US$	US$	US$	US$	US$
Bank overdrafts and short term facilities	59,138,400	1,079,070	64,352,314	-	124,569,784
Accounts payable and other liabilities	26,649,820	21,333,580	-	-	47,983,400
Dividends payable	59,513,187	-	-	-	59,513,187
Deferred revenues and other credit balances	19,902,467	-	-	-	19,902,467
Loans from banks and financial institutions	-	40,593,394	120,608,288	253,501,205	414,702,887
Financial liabilities	165,203,874	63,006,044	184,960,602	253,501,205	666,671,725
Non-financial liabilities	87,601,605	-	-	-	87,601,605
	252,805,479	63,006,044	184,960,602	253,501,205	754,273,330

	December 31, 2017				
	No Maturity	Less than 3-Months	3-12 Month	1 to 5 Years	Total
	US$	US$	US$	US$	US$
Bank overdrafts and short term facilities	83,725,628	2,207,500	151,518,333	-	237,451,461
Accounts payable and other liabilities	30,940,799	30,364,985	-	-	61,305,784
Dividends payable	60,296,491	-	-	-	60,296,491
Deferred revenues and other credit balances	49,421,247	-	-	-	49,421,247
Loans from banks and financial institutions	-	22,022,815	98,727,469	212,388,141	333,138,425
Financial liabilities	224,384,165	54,595,300	250,245,802	212,388,141	741,613,408
Non-financial liabilities	111,930,173	-	-	-	111,930,173
	336,314,338	54,595,300	250,245,802	212,388,141	853,543,581

35. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

ASSETS	December 31, 2018 US$	December 31, 2017 US$
Current Assets		
Cash and banks balances	27,022,443	40,188,587
Prepayments and other debit balances - Current portion	49,351,062	57,331,814
Accounts and notes receivables, net - Current portion	65,628,836	159,317,909
Investment in assets-backed securities - Current portion	3,450,818	12,213,080
Total Current Assets	145,453,159	269,051,390
Non Current Assets		
Prepayments and other debit balances - Non-current portion	3,836,382	2,882,847
Accounts and notes receivables, net - Non-current portion	80,947,792	204,357,762
Investments in assets-backed securities - Non-current portion	16,248,559	11,531,215
Inventory of land and projects in progress	1,204,900,740	1,156,512,095
Investment properties, net	584,461,261	595,974,193
Investment in associates and joint ventures	397,598,001	420,767,858
Fixed assets, net	48,527,466	50,650,021
Total Non-Current Assets	2,336,520,201	2,442,675,991
TOTAL ASSETS	2,481,973,360	2,711,727,381
LIABILITIES		
Current Liabilities		
Bank overdrafts and short term facilities	122,051,954	230,725,628
Accounts payable and other liabilities - Current portion	81,725,140	124,356,367
Dividends payable	59,513,187	60,296,491
Deferred revenue and other credit balances - Current portion	19,902,467	16,705,347
Loans from banks and financial institutions - Current portion	138,750,000	99,458,985
Total Current Liabilities	421,942,748	531,542,818
Non Current Liabilities		
Accounts payable and other liabilities – Non-current portion	43,109,865	38,129,590
Deferred revenue and other credit balances – Non-current portion	10,750,000	43,465,900
Loans from banks and financial institutions – Non-current portion	222,847,531	198,717,185
Total Non-Current Liabilities	276,707,396	280,312,675
TOTAL LIABILITIES	698,650,144	811,855,493
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	170,474,545	170,466,705
(Accumulated losses)/retained earnings	(37,126,676)	79,471,651
Cumulative foreign currency translation reserve	(24,653)	(66,468)
Total Equity	1,783,323,216	1,899,871,888
TOTAL LIABILITIES AND EQUITY	2,481,973,360	2,711,727,381

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

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

		December 31, 2018				
	Notes	Carrying Amount	Level 1	Level 2	Level 3	Total
		US$	US$	US$	US$	US$
Financial Assets measured at:						
Amortized cost						
Cash and bank balances	6	27,022,443	13,257,628	13,764,815	-	27,022,443
Other debit balances	7	38,023,004	-	-	38,023,004	38,023,004
Accounts and notes receivable	8	146,576,628	-	-	146,576,628	146,576,628
Investment in asset-backed securities (includes reserve accounts and deferred charges)	9	39,157,394	-	44,074,273	-	44,074,273
		250,779,469	13,257,628	57,839,088	184,599,632	255,696,348
Financial Liabilities measured at:						
Amortized cost						
Bank overdrafts, and short term facilities	14	122,051,957	-	122,051,954	-	122,051,954
Accounts payable and other liabilities	15	47,983,400	-	-	47,983,400	47,983,400
Dividends payable	16	59,513,187	-	-	59,513,187	59,513,187
Deferred revenues and other credit balances	17	19,902,467	-	-	19,902,467	19,902,467
Loans from banks and financial institutions		361,597,531	-	363,553,836	-	363,553,836
		611,048,542	-	485,605,790	127,399,054	613,004,844
Non-financial Assets measured at:						
Cost						
Investment properties	11	584,461,261	-	1,208,036,673	-	1,208,036,673
		584,461,261	-	1,208,036,673	-	1,208,036,673

	Notes	December 31, 2017				
		Carrying Amount	Level 1	Level 2	Level 3	Total
		US$	US$	US$	US$	US$
Financial Assets measured at:						
Amortized cost						
Cash and bank balances	6	40,188,587	74,320	40,114,267	-	40,188,587
Other debit balances	7	41,754,910	-	-	41,754,910	41,754,910
Accounts and notes receivable	8	363,675,671	-	-	363,675,671	363,675,671
Investment in asset-backed securities	9	23,744,295	-	36,251,326	-	36,251,326
		469,363,463	74,320	76,365,593	405,430,581	481,870,494
Financial Liabilities measured at:						
Amortized cost						
Bank overdrafts and short term facilities	14	230,725,628	-	230,725,628	-	230,725,628
Accounts payable and other liabilities	15	61,305,784	-	-	61,305,784	61,305,784
Dividends payable	16	60,296,491	-	-	60,296,491	60,296,491
Deferred revenues and other credit balances	17	49,421,247	-	-	49,421,247	49,421,247
Loans from banks and financial institutions		298,176,170	-	299,001,357	-	299,001,357
		699,925,320	-	529,726,985	171,023,522	700,750,507
Non-financial Assets measured at:						
Amortized cost						
Investment properties	11	595,974,193	-	1,334,877,006	-	1,334,877,006
		595,974,193	-	1,334,877,006	-	1,334,877,006

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.

37. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2018, on March 21, 2019.