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

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT SIX-MONTH PERIOD ENDED JUNE 30, 2018

THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
SIX-MONTH PERIOD ENDED JUNE 30, 2018

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REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of the Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its Subsidiaries (the Group), as at June 30, 2018 and the related interim consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory information. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Beirut, Lebanon
December 17, 2018

Deloitte & Touche

Ernst & Young

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

ASSETS	Notes	(Unaudited) June30, 2018 US$	December31, 2017 US$
Cash and bank balances		34,235,686	40,188,587
Prepayments and other debit balances		59,615,545	60,214,661
Accounts and notes receivable, net	6	196,381,806	363,675,671
Investment in asset-backed securities	8	42,794,126	23,744,295
Inventory of land and projects in progress		1,186,519,193	1,156,512,095
Investment properties, net		592,036,645	595,974,193
Investments in associates and joint ventures	7	408,057,122	420,767,858
Fixed assets, net		49,693,057	50,650,021
Total Assets		2,569,333,180	2,711,727,381
LIABILITIES			
Bank overdrafts and short term facilities		236,947,143	230,725,628
Accounts payable and other liabilities		136,452,425	162,485,957
Dividends payable		59,847,328	60,296,491
Deferred revenues and other credit balances		62,187,670	60,171,247
Loans from banks and financial institutions		273,757,356	298,176,170
Total Liabilities		769,191,922	811,855,493
EQUITY			
Issued capital at par value US$10 per share:			
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve		170,436,971	170,466,705
(Accumulated losses)/retained earnings		(20,271,185)	79,471,651
Cumulative foreign currency translation reserve		(24,528)	(66,468)
Total Equity		1,800,141,258	1,899,871,888
Total Liabilities and Equity		2,569,333,180	2,711,727,381

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

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

	Notes	(Unaudited) six month period Ended June 30, 2018 US$	2017 US$
Revenues from land sales		-	94,500
Revenues from rented properties		29,507,294	30,720,023
Revenues from rendered services		4,000,361	3,310,929
Revenues from hospitality		1,302	169,852
Total revenues		33,508,957	34,295,304
Cost of land sales		-	(17,487)
Depreciation of and charges on rented properties		(14,021,205)	(12,666,962)
Cost of rendered services		(2,585,414)	(1,980,388)
Cost of hospitality		(10,823)	(209,734)
Total cost of revenues		(16,617,442)	(14,874,571)
Gain on sale and disposal of investment properties		238,165	3,929,149
Net revenues from operations		17,129,680	23,349,882
Share of results of associates and joint ventures	7	(12,711,181)	(10,248,209)
General and administrative expenses		(13,721,573)	(19,291,145)
Depreciation of fixed assets		(1,386,927)	(1,852,799)
Write-off of receivables	6	(419,949)	(901,528)
Loss on rescheduled receivables		(1,297,164)	(151,501)
Provision for impairment, (net)		(78,665,927)	(1,077,748)
Provision for contingencies		(500,000)	(5,000,000)
Other expense		(2,248,236)	(350)
Other income		357,623	279,068
Taxes, fees and stamps		(128,590)	(145,967)
Interest income		8,220,737	12,646,729
Interest expense		(16,427,053)	(17,694,782)
Loss on exchange		(540,999)	(372,766)
Loss before tax		(102,339,559)	(20,461,116)
Income tax benefit		3,236,426	1,537,422
Loss for the period		(99,103,133)	(18,923,694)
Basic / diluted earnings per share	9	(0.6006)	(0.1147)
Attributable to:			
Equity owners of the Company		(99,103,133)	(18,923,694)
Loss for the period		(99,103,133)	(18,923,694)

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

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited) six month period Ended June 30,	
	2018	2017
	US$	US$
Loss for the period	(99,103,133)	(18,923,694)
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	41,940	344,589
Other comprehensive income for the period	41,940	344,589
Total comprehensive loss for the period	(99,061,193)	(18,579,105)
Attributable to:		
Equity owners of the Company	(99,061,193)	(18,579,105)
	(99,061,193)	(18,579,105)

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

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

	Total Equity Attributable to Owners of the Company						
	Share Capital	Legal Reserve	Retained Earnings/ (Accumulated Losses)	Cumulative Foreign currency Translation reserve	Total	Non-controlling Interest	Total
	US$	US$	US$	US$	US$	US$	US$
Balance at January 1, 2017	1,650,000,000	170,435,346	195,870,766	(372,709)	2,015,933,403	-	2,015,933,403
Allocation to legal reserve from 2016 profit	-	1,625	(1,625)	-	-	-	-
Total comprehensive loss	-	-	(18,923,694)	344,589	(18,579,105)	-	(18,579,105)
Balance as at June 30, 2017 (Unaudited)	1,650,000,000	170,436,971	176,945,447	(28,120)	1,997,354,298	-	1,997,354,298
Balance at January 1, 2018	1,650,000,000	170,466,705	79,471,651	(66,468)	1,899,871,888	-	1,899,871,888
Impact for adopting IFRS9 at January 1,2018	-	-	(280,313)	-	(280,313)	-	(280,313)
Restated balance at January 1, 2018	1,650,000,000	170,466,705	79,191,338	(66,468)	1,899,591,575	-	1,899,591,575
Prior year adjustments	-	(29,734)	(359,390)	-	(389,124)	-	(389,124)
Total comprehensive loss	-	-	(99,103,133)	41,940	(99,061,193)	-	(99,061,193)
Balance as at June 30, 2018 (Unaudited)	1,650,000,000	170,436,971	(20,271,185)	(24,528)	1,800,141,258	-	1,800,141,258

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

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

	Notes	(Unaudited) six month period Ended June 30, 2018 US$	2017 US$
Cash flows provided by operating activities:			
Loss for the period before income tax		(102,339,559)	(20,461,116)
Adjustments to reconcile loss to net cash provided by/(used in) operating activities:			
Depreciation	10(a)	8,241,122	8,323,993
Gain on sale of investment properties		(238,165)	(3,929,149)
Gain on sale of fixed assets		-	(7,500)
Provision for end-of-service net indemnity and other charges, (net)		634,358	960,620
Provision for contingencies		500,000	5,000,000
Provision for impairment, (net)	6(d)	78,665,927	1,077,748
Write-off of receivables	6	419,949	901,528
Loss on rescheduled receivables		1,297,164	151,501
Share of result of associates and joint ventures	7	12,711,181	10,248,209
Interest income		(8,220,737)	(12,646,729)
Interest expense	10(b)	17,090,123	18,154,598
Changes in working capital:			
Prepayments and other debit balances	10(d)	3,525,241	(6,995,875)
Accounts and notes receivable		116,686,518	6,653,770
Inventory of land and projects in progress		(30,007,098)	(24,898,665)
Accounts payable and other liabilities		(28,162,516)	8,949,149
Deferred revenues and other credit balances	10(d)	2,016,423	1,758,260
Interest received		8,594,612	11,396,472
Income tax paid		(6,634)	(16,207,885)
Net cash provided by/(used in) operating activities		81,407,909	(11,571,071)
Cash flows provided by investing activities:			
Investment in asset-backed securities		(49,363,831)	-
Acquisition of fixed assets		(429,963)	(524,583)
Acquisition of investment properties		(3,178,482)	(2,976,078)
Proceeds from sale of investment properties		500,000	4,648,292
Proceeds from sale of fixed assets		-	747,222
Investments in associates and joint ventures	10(c)	41,495	(464,249)
Net cash (used in)/provided by investing activities		(52,430,781)	1,430,604
Cash flows used in financing activities:			
Loans from banks and financial institutions		(24,418,814)	43,549,692
Dividends paid		(449,163)	(2,951,018)
Interest paid		(16,152,437)	(16,876,956)
Short term facilities		-	(75,000,000)
Net cash used in financing activities		(41,020,414)	(51,278,282)
Net change in cash and cash equivalents		(12,043,286)	(61,418,749)
Cash and cash equivalents-Beginning of the period	10(e)	(43,537,041)	49,044,187
Cash and cash equivalents-End of the period	10(e)	(55,580,327)	(12,374,562)

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONDENSED INTERIM 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.

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

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

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

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

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

The accounting policies adopted in the current period are consistent with those of the previous year's financial year, except of the following new and revised standards and interpretations effective as of January 1, 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 January 1, 2018. The Group adopted the new standard on the required effective date.

I. Classification and measurement

In the July 2014 publication of IFRS 9, the new measurement category FVOCI 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).

Debt financial assets measured at fair value through OCI are measured at fair value with unrealized gains and losses reported in other comprehensive income, net of applicable income taxes, until such instruments are derecognized (when sold, collected or otherwise disposed). Upon de-recognition, any accumulated balances in other comprehensive income are reclassified to the income statement and reported within other income.

The following items are recognized in the income statement:

- Interest income
- Expected Credit Losses and
- Foreign exchange translation gains and losses.

The amounts recognized in the income statement are determined on the same basis as for financial assets measured at amortized cost.

There is no impact on the financial assets classification as at June 30, 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 OCI, 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.

<u>Stage 1</u>
12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months.

<u>Stage 2</u>
Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

<u>Stage 3</u>
Under Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

ECL are recognized in profit or loss with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortized cost on the balance sheet. For financial assets measured at fair value through OCI, the carrying value is not reduced, but an accumulated amount is recognized in OCI. ECL are recognized within the income statement in Net impairment losses on financial assets.

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 VI below.

III. Hedge accounting

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

IV. 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 January 1, 2018. Changes include transition disclosures as shown in VI below, detailed qualitative and quantitative information about the ECL calculations. The assumptions and inputs used are set out in Note 4.

V. Transition

In accordance with the transition provisions of IFRS 9 (2014), the Group applied this standard retrospectively. The changes in measures arising on initial application were incorporated through an adjustment to opening retained earnings as at January 1, 2018.

Total adjustments related to classification and measurements will reduce opening retained earnings by US$ 280,313.

Impact of change in classification and measurement

Except for the 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		Amortized cost	40,188,587	-	(280,313)	Amortized cost	39,908,274
Prepayments and other debit balances		Amortized cost	60,214,661	-	-	Amortized cost	60,214,661
Accounts and notes receivables, net	6	Amortized cost	363,675,671	-	-	Amortized cost	363,675,671
Investment in asset-backed securities		Amortized cost	23,744,295	-	-	Amortized cost	23,744,295
Net impact on equity				-	(280,313)		

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 interim condensed 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 impact on the Group's interim condensed 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 the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial information for the six-month period ended June 30, 2018 has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2017.

The accounting policies adopted in the preparation of the condensed interim consolidated financial information are consistent with the accounting policies adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations described in note 2, as applicable.

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

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

Basis of consolidation

The condensed interim consolidated financial information incorporates the financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its controlled subsidiaries drawn up to June 30, 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

Group entities comprise the following:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

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

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

The estimates and underlying assumptions made by the Group's management for the preparation of the condensed interim consolidated financial information are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended December 31, 2017, except the following estimates and judgements which are applicable from January 1, 2018.

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

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgement, as considered by the Group while determining the impact assessment are:

Assessment of Significant Increase in Credit Risk
The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

Our assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

(a) We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.

(b) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

(c) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios
The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

Our base case scenario will be based on macroeconomic forecasts published by our internal economist group. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default
The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life
When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

5. OPERATING SEGMENTS

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

- Real estate sales
- Real estate rental and rendered services

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

	(Unaudited) June 30, 2018			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	2,050,243,500	618,823,401	(99,733,721)	2,569,333,180
Total liabilities	589,924,835	221,301,265	(42,034,178)	769,191,922

	(Unaudited) June30, 2018			
	Real Estate Sales	Real Estate Rental and Rendered Services	Eliminations	Total
	US$	US$	US$	US$
Revenues	-	34,350,602	(841,645)	33,508,957
Cost of revenues	-	(18,300,732)	1,683,290	(16,617,442)
Gain on sale and disposal of investment properties	-	238,165	-	238,165
Net revenues from operations	-	16,288,035	841,645	17,129,680
Share results of associates and joint ventures	-	(12,711,181)	-	(12,711,181)
General and administrative expenses	(11,579,507)	(1,300,421)	(841,645)	(13,721,573)
Depreciation of fixed assets	(1,244,229)	(142,698)	-	(1,386,927)
Write-off of receivables	(419,949)	-	-	(419,949)
Loss from rescheduled receivables	(1,297,164)	-	-	(1,297,164)
Provision for contingencies	(500,000)	-	-	(500,000)
Provision for impairment, (net)	(78,626,740)	(39,187)	-	(78,665,927)
Other expenses	(2,052,092)	(196,144)	-	(2,248,236)
Other income	170,584	187,039	-	357,623
Taxes, fees and stamps	(128,352)	(238)	-	(128,590)
Interest income	8,197,174	23,563	-	8,220,737
Interest expense	(16,416,870)	(10,183)	-	(16,427,053)
(Loss)/gain on exchange	(541,049)	50	-	(540,999)
Loss before tax	(104,438,194)	2,098,635	-	(102,339,559)
Income tax benefit/(expense)	3,239,743	(3,317)	-	3,236,426
Loss for the period	(101,198,451)	2,095,318	-	(99,103,133)

	(Unaudited) June 30, 2017			
	Real Estate Sales	Real Estate Rental and Other Service	Eliminations	Total
	US$	US$	US$	US$
Total assets	2,282,607,278	654,831,426	(99,289,192)	2,838,149,512
Total Liabilities	689,173,916	193,069,393	(41,448,095)	840,795,214

	(Unaudited) June 30, 2017			
	Real Estate Sales	Real Estate Rental and Other Service	Eliminations	Total
	US$	US$	US$	US$
Revenues	94,500	34,850,804	(650,000)	34,295,304
Cost of revenues	(17,487)	(16,157,084)	1,300,000	(14,874,571)
Gain on sale and disposal of investment properties	-	3,929,149	-	3,929,149
Net revenues from operations	77,013	22,622,869	650,000	23,349,882
Share of associates and joint ventures	(10,248,209)	-	-	(10,248,209)
General and administrative expenses	(16,698,434)	(1,942,711)	(650,000)	(19,291,145)
Depreciation of fixed assets	(1,457,336)	(395,463)	-	(1,852,799)
Write-off of receivables	(901,528)	-	-	(901,528)
Loss on rescheduled receivables	(151,501)	-	-	(151,501)
Provision for impairment	-	(1,077,748)	-	(1,077,748)
Provision for contingencies	(4,662,313)	(337,687)	-	(5,000,000)
Other expense	(223)	(127)	-	(350)
Other income	149,817	129,251	-	279,068
Taxes, fees and stamps	(139,804)	(6,163)	-	(145,967)
Interest income	12,599,933	46,796	-	12,646,729
Interest expense	(17,620,959)	(73,823)	-	(17,694,782)
Loss on exchange	(371,676)	(1,090)	-	(372,766)
Loss before tax	(39,425,220)	18,964,104	-	(20,461,116)
Income tax expense	1,537,422	-	-	1,537,422
Profit for the period	(37,887,798)	18,964,104	-	(18,923,694)

6. ACCOUNTS AND NOTES RECEIVABLE, NET

	(Unaudited) June 30, 2018	December 31, 2017
	US$	US$
Notes receivable (a)	402,831,174	542,608,904
Accounts receivable (b)	4,506,442	4,543,890
Reserve account receivable from BCD 1 Fund	1,186,128	1,669,657
Reserve account receivable from BCD 2 Fund	7,178,969	-
Deferred charges from securitization of notes	11,092,920	10,785,886
Receivables from tenants (c)	35,004,725	55,099,614
Less: Unearned interest	(70,259,681)	(92,512,336)
Less: Allowance for impairment (d)	(195,158,871)	(158,519,944)
	196,381,806	363,675,671

During the six-month period ending June 30, 2018, the Group wrote-off long outstanding receivables of US$419,949 (US$901,528 during the six-month period ending June 30, 2017) recorded under "Write-off of receivables" in the interim consolidated statement of profit or loss.

The Group's credit risk exposure in notes and accounts receivable is spread over 24 counter-parties; 11 customers constitute 90% of the total exposure and 13 customers constitute the remaining 10% as of June 30, 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; 3 tenants constitute 62% of the total exposure as of June 30, 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:

	(Unaudited) June 30, 2018	December 31, 2017
	US$	US$
Doubtful balances	210,681,975	262,668,437
Overdue but not impaired	7,336,602	7,692,516
2018	53,079,509	35,046,420
2019	28,186,804	50,454,047
2020 and above	103,546,284	186,747,484
	402,831,174	542,608,904

(b) Accounts receivable carry the following maturities:

	(Unaudited) June 30, 2018	December 31, 2017
	US$	US$
Doubtful balances	4,487,025	4,487,025
2018	19,417	56,865
	4,506,442	4,543,890

(c) Included under receivables from tenants is the balance due from the Lebanese Ministry of Foreign Affairs and Immigrants regarding the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia - ESCWA which amounted to US$18,897,442 as of June 30, 2018 (US$39,052,116 as of December 31, 2017).

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

	(Unaudited) June 30, 2018	December 31, 2017
	US$	US$
Balance at the beginning of the period/year	158,519,944	99,505,759
Transfer from prepayments and other debit balances	377,000	-
Transfer to investment in asset-backed securities (Note 8)	(30,314,000)	-
Additions	78,775,923	60,910,748
Write-off	(12,199,996)	(1,896,563)
Balance at the end of the period/year	195,158,871	158,519,944

During the six-month period ended June 30, 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 period end, the Group signed an addendum to three land sale contracts entered into in previous years which resulted in write-off of receivables in the amount of US$18,350,652 that was fully provided for during the six-month period ended June 30, 2018.

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	(Unaudited) June 30, 2018	December 31, 2017
	US$	US$
Investment in Solidere International Limited (Associate)	380,623,467	390,387,018
Investment in BCD Cinemas S.A.L. (Associate)	1,199,288	1,104,279
Investment in Beirut Waterfront Development S.A.L. (Joint venture)	(11,137,867)	(7,999,242)
Investment in Beirut Real Estate Management and Services S.A.L. (Joint venture)	14,801	14,781
Investment in ASB – Downtown S.A.L. (Associate)	311,433	215,022
Investment in STOW Waterfront Holding S.A.L.	506,000	506,000
	371,517,122	384,227,858
Long term loan to Beirut Waterfront Development S.A.L. (Joint Venture)	36,540,000	36,540,000
	408,057,122	420,767,858

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

	(Unaudited) Six-Month Period Ended June 30,	
	2018	2017
	US$	US$
Balance at the beginning of the year	420,767,858	418,029,589
Share of the results of associates and joint ventures	(12,711,181)	(10,248,209)
Foreign currency translation reserve	445	344,589
Balance at the end of the period	408,057,122	408,125,969

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

	Country of Incorporation	Ownership Interest	June 30, 2018 (Unaudited) At Cost	June 30, 2018 (Unaudited) Group's Share of Equity	December 31, 2017 At Cost	December 31, 2017 Group's Share of Equity
		%	US$	US$	US$	US$
Solidere International Limited (Associate)	UAE	39.11	238,530,173	380,623,467	238,530,173	390,387,018
BCD Cinemas S.A.L. (Associate)	Lebanon	40.00	8,000	1,199,288	8,000	1,104,279
Beirut Waterfront Development S.A.L. (a) (Joint venture)	Lebanon	50.00	11,385,075	(11,137,867)	11,385,075	(7,999,242)
Beirut Real Estate Management and Services (Joint venture)	Lebanon	45.00	9,000	14,801	9,000	14,781
ASB - Downtown S.A.L. (Associate)	Lebanon	24.50	4,877	311,433	4,877	215,022
Investment in STOW waterfront holding S.A.L.	Lebanon	1.68	506,000	506,000	506,000	506,000
			250,443,125	371,517,122	250,443,125	384,227,858

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

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

	Six-Month Period Ended June 30, 2017 (Unaudited)			
	Solidere International Limited	Beirut Waterfront Development SAL	Other Associates and Joint Ventures	Total
	US$	US$	US$	US$
Total Revenue	2,186,428	4,576,082	8,527,030	15,289,540
Total Cost of Revenue	(1,430,718)	(4,814,488)	(7,305,106)	(13,550,312)
Profit/(loss) for the period	(17,646,676)	(6,693,010)	1,221,920	(23,117,766)
Group's share of result – profit/(loss)	**(7,136,878)**	**(3,346,503)**	**235,172**	**(10,248,209)**

8. INVESTMENT IN ASSET-BACKED SECURITIES

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

During 2018, the Group signed an agreement with a local financial institution to securitize notes receivable with an aggregate nominal value of US$144million 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.

During 2018, the Group transferred a provision for impairment in the amount of US$30,314,000 from "Accounts and notes receivable, net" in relation to customers balances included under BCD2 fund established in the current year (Note 6(d)).

The Group subscribed to the following notes issued by Funds:

Class of Notes	Total Issuance	Subscription Amount	Carrying Amount (Unaudited) June 30, 2018	Carrying Amount December 31, 2017	Interest Rate
	US$	US$	US$	US$	%
BCD1:					
Loans and receivables:					
Class A	130,000,000	28,000,000	-	-	5.0
Class B	45,000,000	45,000,000	17,185,401	22,573,845	5.0
	175,000,000	73,000,000	17,185,401	22,573,845	
Held-to-Maturity:					
Class C	10,160,450	10,160,450	10,160,450	10,160,450	-
	10,160,450	10,160,450	10,160,450	10,160,450	
BCD2:					
Loans and receivables:					
Class A	100,600,000	11,600,000	11,600,000	-	7.0
Class B	43,152,275	43,152,275	43,152,275	-	-
	143,752,275	54,752,275	54,752,275	-	
Provision for impairment	-	-	(39,304,000)	(8,990,000)	
	328,912,725	137,912,725	42,794,126	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 2017, an amount of US$1,506,058 was used to cover the shortfall in payments.

The decrease in the reserve account in the aggregate of US$11,092,920 up to June 30, 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 (Note 6).

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

	(Unaudited) June 30, 2018	**December 31, 2017**
	US$	**US$**
Balance at the beginning of the period/year	1,669,693	3,175,751
To cover shortfall in payments of principal and interest	(483,565)	(1,506,058)
Balance at the end of the period/year	1,186,128	1,669,693

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

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

	(Unaudited) June 30, 2018	December 31, 2017
	US$	US$
Balance at the beginning of the period/year	-	-
Additions	7,178,969	-
Balance at the end of the period/year	7,178,969	-

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

9. BASIC/DILUTED EARNINGS PER SHARE

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

The weighted average number of shares to compute basic and diluted loss per share is 165,000,000 shares for the six month period ended June 30, 2018 (165,000,000 shares for the six-month period ended June 30, 2017).

10. NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	(Unaudited) June 30,	
	2018	2017
	US$	US$
Depreciation of fixed assets	1,386,927	1,852,799
Depreciation of investment properties	6,854,195	6,471,194
Depreciation charge for the period	8,241,122	8,323,993

(b) Interest expense consists of the following:

	(Unaudited) June 30, 2018 US$	(Unaudited) June 30, 2017 US$
Interest charged as period cost	16,427,053	17,694,782
Interest expense allocated to inventory of land and projects in progress	663,070	459,816
Total interest expense	17,090,123	18,154,598

(c) Non-cash transactions in investing activities for the six-month period ended June 30, 2018, include cumulative foreign currency translation reserve in the amount of US$41,940 (US$302,838 for the six-month period ended June 30, 2017) which was excluded from investment in associates and joint ventures against cumulative foreign currency translation reserve under equity.

(d) Non-cash transactions in operating activities for the six-month period ended June 30, 2018, include accrued interest income on long term loan to a joint venture in the amount of US$Nil (US$1,635,654 for the six-month period ended June 30, 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:

	(Unaudited) June 30, 2018 US$	(Unaudited) June 30, 2017 US$
Cash on hand	74,406	62,272
Checks under collection	308,904	1,257
Current accounts	21,428,473	10,320,015
Short term deposits	12,555,033	49,452,687
Bank overdrafts	(89,947,143)	(72,210,793)
	(55,580,327)	(12,374,562)

	Year Ended December 31,	
	2017	2016
	US$	US$
Cash on hand	74,320	64,467
Checks under collection	-	7,622,104
Current accounts	9,681,506	11,197,032
Short term deposits	30,432,761	92,922,914
Bank overdrafts	(83,725,628)	(62,762,330)
	(43,537,041)	49,044,187

11. RELATED PARTY TRANSACTIONS

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

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

	(Unaudited) June 30, 2018	December 31, 2017
	US$	US$
Solidere International Limited (Associate)	21,647	21,647
City Makers S.A.R.L (Related party)	6,791	6,791
BCD Cinemas S.A.L. (Associate)	1,524,189	987,120
Beirut Waterfront Development S.A.L. (Joint Venture)	13,432	13,096
ASB - Downtown S.A.L. (Associate)	241,693	241,693
	1,807,752	1,270,347

Cash and bank balances include US$9,107,070 as of June 30, 2018 (US$17,071,799 as of December 31, 2017) representing current bank accounts with a local bank who is a significant but minority shareholder of the Group.

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

Bank overdrafts and short-term facilities include US$35,125,149 as of June 30, 2018 (US$44,094,022 as of December 31, 2017) representing short-term facilities with a local bank who is a significant but minority shareholder of the Group.

Term loans include US$60,000,000 as of June 30, 2018 (same as of December 31, 2017) representing a term loan with a local bank who is a significant but minority shareholder of the Group.

Included under "Interest expense" in the interim consolidated statement of profit or loss is an amount of US$2,928,567 for the period ended June 30, 2018 (US$3,152,144 for the period ended June 30, 2017) representing interest expense on bank overdrafts, short term facilities and term loans with a local bank who is a significant but minority shareholder of the Group.

Accrued interest income on a long term loan of US$36.54million granted by the Group to Beirut Waterfront Development S.A.L., a joint venture, amounted to US$21,375,900 as of June 30, 2018 and December 31, 2017 recorded under "Prepayments and other debit balances".

Total benefits of executives and members of the Board of Directors (including salary, bonus and others), included within "General and administrative expenses", for the period ended June 30, 2018 and 2017 amounted to US$1,578,200.

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

12. COMMITMENTS AND CONTINGENCIES

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

(b) The total projected cost for completion of the BCD project has been estimated by management to be approximately US$2billion. This amount is used as a base for the determination of cost of sales.

(c) Commitments for contracted works not executed as of June 30, 2018 amounted to approximately US$105 million (US$136million as of December 31, 2017).

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

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

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

(g) In prior periods, the Group submitted to the Ministry of Culture and Higher Education claims totaling US$17.7million representing compensation for delays that resulted from excavation works. These claims were not yet approved nor confirmed by the concerned authorities nor recorded as receivables in the accompanying consolidated financial statements.

(h) For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Group signed in 2002 an agreement with the Armenian Orthodox prelacy to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900Sqm against ceding of owners' shares from both lots. Additionally, a built up area of 5,335Sqm (US$2,700,000) remains as a contingent loss to the Group in case the prelacy decides to build this area within the next 10 years following this agreement. During November 2010, an agreement was signed by both parties in which it was agreed that November 2010 would be the start date for the 10 years period as it represents the date of finalization of parcellation and massing of plots number 1137 and 1138 of Zokak Al Blat area subject to the said agreements.

(i) The Company is defendant in a lawsuit raised by a Group of jewelers and the jewelers syndicate. The Company appealed the court's decision in which the Company was required to register certain commercial shops in Beirut Souks. The case was deferred until April 4, 2016 and then deferred to June 13, 2016. 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 Company is a party in a claim of a delay penalty estimated at around US$300,000 for not executing a judgement. Moreover, the Company has appealed the case in front the civil court to cancel this judgement. The case was postponed to February 12, 2016 when the judge condemned the Company to pay the plaintiff a fine of LBP150million. The Company challenged this judgment before the court of appeal on February 19, 2016 and obtained from the latter a stay of execution on March 10, 2016 which shall remain in force until the case is determined by the court of appeal. The case is currently pending before this Court and no hearing has been fixed yet.

(k) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US$3,143,832 as at June 30, 2018 (as at December 31, 2017 commitments and contingencies in the form of letters of guarantee in the amount of US$3,131,764).

13. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

	(Unaudited) June 30, 2018 US$	December 31, 2017 US$
ASSETS		
Current Assets		
Cash and banks balances	34,235,686	40,188,587
Prepayments and other debit balances - Current portion	48,495,293	57,331,814
Accounts and notes receivables, net - Current portion	165,275,267	159,317,909
Investment in assets-backed securities	26,618,216	12,213,080
Total Current Assets	274,624,462	269,051,390
Non-Current Assets		
Prepayments and other debit balances - Non-current portion	11,120,252	2,882,847
Accounts and notes receivables, net - Non-current portion	31,106,539	204,357,762
Investments in assets-backed securities - Non-current portion	16,175,910	11,531,215
Inventory of land and projects in progress	1,186,519,193	1,156,512,095
Investment properties, net	592,036,645	595,974,193
Investment in joint ventures and associates	408,057,122	420,767,858
Fixed assets, net	49,693,057	50,650,021
Total Non-Current Assets	2,294,708,718	2,442,675,991
TOTAL ASSETS	**2,569,333,180**	**2,711,727,381**
LIABILITIES		
Current Liabilities		
Bank overdrafts and short term facilities	236,947,143	230,725,628
Accounts payable and other liabilities - Current portion	101,584,206	124,356,367
Dividends payable	59,847,328	60,296,491
Deferred revenue and other credit balances - Current portion	18,721,770	16,705,347
Loans from banks and financial institutions- Current portion	79,649,081	99,458,985
Total Current Liabilities	496,749,528	531,542,818
Non-Current Liabilities		
Accounts payable and other liabilities – Non-current portion	34,868,219	38,129,590
Deferred revenue and other credit balances - Non current portion	43,465,900	43,465,900
Loans from banks and financial institutions - Non-current portion	194,108,275	198,717,185
Total Non-Current Liabilities	272,442,394	280,312,675
TOTAL LIABILITIES	**769,191,922**	**811,855,493**
EQUITY		
Issued capital at par value US$10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	1,650,000,000	1,650,000,000
Legal reserve	170,436,971	170,466,705
(Accumulated losses)/retained earnings	(20,271,185)	79,471,651
Cumulative foreign translation reserve	(24,528)	(66,468)
Total Equity	**1,800,141,258**	**1,899,871,888**
TOTAL LIABILITIES AND EQUITY	**2,569,333,180**	**2,711,727,381**

As of June 30, 2018, 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.

14. FAIR VALUE MEASUREMENT

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

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

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

	(Unaudited) June 30, 2018				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$	US$
Financial Assets measured at amortized cost:					
Cash and bank balances	34,235,686	383,310	33,852,376	-	34,235,686
Other debit balances	43,746,669	-	-	43,746,669	43,746,669
Accounts and notes receivable	196,381,806	-	-	196,381,806	196,381,806
Investments in asset-backed securities	42,794,126	-	40,533,323	-	40,533,323
	317,158,287	383,310	74,385,699	240,128,475	314,897,484
Financial Liabilities measured at amortized cost:					
Bank overdrafts and short term facilities	236,947,143	-	236,947,143	-	236,947,143
Accounts payable and other liabilities	52,637,201	-	-	52,637,201	52,637,201
Dividends payable	59,847,328	-	-	59,847,328	59,847,328
Deferred revenues and other credit balances	51,437,670	-	-	51,437,670	51,437,670
Loans from banks and financial institutions	273,757,356	-	274,261,042	-	274,261,042
	674,626,698	-	511,208,185	163,922,199	675,130,384
Non Financial Assets measured at amortized cost					
Investment properties	592,036,645	-	1,238,874,254	-	1,238,874,254
	592,036,645	-	1,238,874,254	-	1,238,874,254

	Notes	December 31, 2017				
		Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
		US$	US$	US$	US$	US$
Financial Assets measured at Amortized cost:						
Cash and bank balances		40,188,587	74,320	40,114,267	-	40,188,587
Other debit balances		41,754,910	-	-	41,754,910	41,754,910
Accounts and notes receivable		363,675,671	-	-	363,675,671	363,675,671
Investment in asset-backed securities		23,744,295	-	20,799,389	-	20,799,389
		469,363,463	74,320	60,913,656	405,430,581	466,418,557
Financial Liabilities measured at amortized cost:						
Bank overdrafts and short term facilities		230,725,628	-	230,725,628	-	230,725,628
Accounts payable and other liabilities		61,305,784	-	-	61,305,784	61,305,784
Dividends payable		60,296,491	-	-	60,296,491	60,296,491
Deferred revenues and other credit balances		49,421,247	-	-	49,421,247	49,421,247
Term bank loans		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: at amortized cost						
Investment properties		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.

15. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the condensed interim consolidated financial information for the six-month period ended June 30, 2018, on December 17, 2018.