

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

**SEPARATE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2019**

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
SEPARATE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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Deloitte & Touche
Arabia House
131 Phoenicia Street
Ain Mreisseh, Beirut
P.O. Box 11-961
Lebanon

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

Building a better
working world

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

Tel: +961 1 760 800
Fax: +961 1 760 822/3
beirut@b.ey.com
ey.com/mena
C.R. 61

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 separate financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (the "Company"), which comprise the separate statement of financial position as at December 31, 2019 and the separate statement of profit or loss, separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2019, and its separate financial performance and its separate 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 Separate Financial Statements section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the year ended December 31, 2019. 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 separate 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 Separate 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 separate 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 separate financial statements.

Key Audit Matter	How our audit addresses the Key Audit Matter
<p data-bbox="174 207 827 237"><i>Impairment of accounts and notes receivable</i></p> <p data-bbox="174 243 827 310">Refer to note 2 of the separate financial statements for a description of the accounting policy.</p> <p data-bbox="174 348 827 520">Due to the inherently judgmental nature of the computation of expected credit losses (“ECL”) for accounts and notes receivable, there is a risk that the amount of ECL may be misstated. The key areas of judgement include:</p> <ol data-bbox="174 558 827 940" style="list-style-type: none"> <li data-bbox="174 558 827 625">1. The identification of exposure with a significant deterioration in credit quality. <li data-bbox="174 663 827 798">2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc. <li data-bbox="174 835 827 940">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. <p data-bbox="174 978 827 1079">Note 7 to the separate financial statements discloses information on accounts and notes receivable and related impairment.</p>	<p data-bbox="832 243 1475 310">In assessing the impairment, we performed the following procedures:</p> <ol data-bbox="832 348 1475 1115" style="list-style-type: none"> <li data-bbox="832 348 1475 415">1. We assessed the modelling techniques and methodology against the requirements of IFRS 9. <li data-bbox="832 453 1475 520">2. We tested the data, both current and historical, used in determining the ECL. <li data-bbox="832 558 1475 659">3. We tested the expected credit loss models including build, validation and governance of models. <li data-bbox="832 697 1475 764">4. We tested the material modelling assumptions in addition to any overlays. <li data-bbox="832 802 1475 936">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. <li data-bbox="832 974 1475 1041">6. We reperformed the ECL computation for a sample of receivables. <li data-bbox="832 1079 1475 1115">7. We assessed the accuracy of disclosures in the separate financial statements.

Emphasis of matter

- We draw attention to note 4 to the financial statements which describes the current economic situation in Lebanon.
- We draw attention to note 35 to the financial statements which describes the impact of the subsequent outbreak of Novel Coronavirus.

Our opinion is not modified in respect of these matters.

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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 separate 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 Nada Maalouf for Deloitte & Touche and Nadim Dimashkieh for Ernst & Young.

Beirut, Lebanon
June 22, 2020



Deloitte & Touche



Ernst & Young

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

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2019</u>	<u>2018</u>
		<u>US\$</u>	<u>US\$</u>
Cash and bank balances	5	11,647,328	22,906,000
Prepayments and other debit balances	6	17,897,098	53,385,277
Accounts and notes receivables, net	7	129,936,268	146,576,628
Investment in asset-backed securities	8	8,699,707	19,699,377
Inventory of land and projects in progress	9	1,110,571,090	1,204,900,740
Investment properties, net	10	565,177,583	584,461,261
Investments in joint ventures, subsidiaries and associates	11	239,594,414	265,909,111
Fixed assets, net	12	45,062,430	48,502,737
Total Assets		<u>2,128,585,918</u>	<u>2,346,341,131</u>
 <u>LIABILITIES</u> 			
Bank overdrafts and short-term facilities	13	48,958,855	122,051,954
Accounts payable and other liabilities	14	106,152,116	121,276,058
Dividends payable	15	59,014,963	59,513,187
Deferred revenues and other credit balances	16	44,563,992	30,652,467
Term bank loans	17	155,481,298	361,597,531
Total Liabilities		<u>414,171,224</u>	<u>695,091,197</u>
 <u>EQUITY</u> 			
Issued capital at par value US\$10 per share:	18		
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
		<u>1,650,000,000</u>	<u>1,650,000,000</u>
Legal reserve	19	169,554,373	169,554,373
Accumulated losses		(105,124,679)	(168,304,439)
Less: Treasury shares		(15,000)	-
Total equity		<u>1,714,414,694</u>	<u>1,651,249,934</u>
Total Liabilities and Equity		<u>2,128,585,918</u>	<u>2,346,341,131</u>

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

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

	Notes	Year Ended	
		December 31,	
		2019	2018
		US\$	US\$
Revenues from land sales		234,450,600	1,274,550
Revenues from rented properties		53,264,063	56,855,415
Revenues from rendered services	20	5,121,403	6,747,993
Total revenues		<u>292,836,066</u>	<u>64,877,958</u>
Cost of land sales		(110,819,184)	(726,020)
Depreciation of and charges on rented properties	21	(22,139,713)	(23,216,387)
Cost of rendered services	22	(4,017,046)	(6,029,939)
Total cost of revenue		<u>(136,975,943)</u>	<u>(29,972,346)</u>
Gain on sale and disposal of investment properties	10	3,803,963	287,141
Net revenues from operations		<u>159,664,086</u>	<u>35,192,753</u>
General and administrative expenses	23	(21,926,207)	(29,692,431)
Depreciation of fixed assets	12	(2,369,171)	(2,732,991)
Provision for impairment, net	5, 6(d),7(d), 8&11(a)	(17,929,164)	(45,722,331)
Loss on rescheduled receivables		(2,872,237)	(2,213,291)
Write-off of receivables	7(c,d)	(606,254)	(33,662,497)
Write-off of real estate development project costs	9(b)	(15,674,129)	-
Provision for contingencies	14(e)	(1,235,000)	(8,304,000)
Other expense		(1,050,568)	(2,054,091)
Other income	24	2,965,583	2,303,749
Taxes, fees and stamps	14(c)	(710,565)	(445,456)
Interest income	25	1,423,444	7,108,271
Interest expense	26	(19,910,003)	(33,644,502)
Loss on exchange		(19,681)	(79,372)
Profit/(loss) before tax		79,750,134	(113,946,189)
Income tax (expense)/benefit	14(c)	(16,570,374)	1,900,966
Income/(loss) for the year		<u>63,179,760</u>	<u>(112,045,223)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>63,179,760</u>	<u>(112,045,223)</u>

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

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

	Share Capital	Legal Reserve	Accumulated Losses	Treasury Shares	Total
	US\$	US\$	US\$	US\$	US\$
Balance at January 1, 2018	1,650,000,000	169,554,373	(55,543,208)	-	1,764,011,165
Impact for adopting IFRS9 at January 1, 2018	-	-	(716,008)	-	(716,008)
Restated balance at January 1, 2018	1,650,000,000	169,554,373	(56,259,216)	-	1,763,295,157
Total comprehensive loss for the year 2018	-	-	(112,045,223)	-	(112,045,223)
Balance at December 31, 2018	1,650,000,000	169,554,373	(168,304,439)	-	1,651,249,934
Total comprehensive income for the year 2019	-	-	63,179,760	-	63,179,760
Treasury shares purchase	-	-	-	(15,000)	(15,000)
Balance at December 31, 2019	1,650,000,000	169,554,373	(105,124,679)	(15,000)	1,714,414,694

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

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

	Notes	Year Ended December 31,	
		2019	2018
		US\$	US\$
Cash flows from operating activities			
Profit/(loss) for the year before income tax		79,750,134	(113,946,189)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	27(a)	16,164,365	16,487,895
Gain on sale and disposal of investment properties	10	(3,803,963)	(287,141)
Gain on sale of fixed assets	12	(2,799,599)	(5,117)
Provision for/(Write-back on) end-of-service indemnity and other charges, net	14(d)	114,059	(1,307,329)
Provision for impairment	5, 6(d), 7(d), 8, 11(a)	17,929,164	45,722,331
Provision for contingencies	14(e)	1,235,000	8,304,000
Write-off of real estate development projects cost	9(b)	15,674,129	-
Loss on rescheduled receivables		2,872,237	2,213,291
Write-off of receivables	7(a, c)	606,254	33,662,497
Interest income	25	(1,423,444)	(7,168,271)
Interest expense	27(b)	21,224,614	34,930,303
Changes in working capital:			
Prepayments and other debit balances	6, 27(d)	26,843,190	(14,846,590)
Accounts and notes receivable	7, 27(d)	2,331,784	137,557,685
Inventory of land and projects in progress	27(d)	81,122,052	(48,388,645)
Accounts payable and other liabilities	14, 27(d)	(8,229,352)	(23,988,964)
Deferred revenues and other credit balances		13,911,525	3,197,120
Interest received		1,423,444	9,674,682
Settlements of end-of-service indemnity and other charges	14(d)	(1,648,132)	(1,346,175)
Settlements from provision for contingencies	14(e)	(4,984,470)	(6,533,488)
Taxes paid	14(c)	(4,345,415)	(12,286,279)
Net cash provided by operating activities		<u>253,967,576</u>	<u>61,705,616</u>
Cash flows from investing activities:			
Acquisition of fixed assets	12	(474,738)	(612,466)
Acquisition of investment properties	10	(3,468,127)	(3,459,304)
Proceeds from sale of investment properties	10	12,760,574	1,504,973
Proceeds from sale of fixed assets	12	4,345,473	5,117
Investments in joint ventures, subsidiaries and associates	11, 27(d)	23,764,697	572,873
Investment in asset-backed securities		6,399,670	12,015,221
Net cash provided by investing activities		<u>43,327,549</u>	<u>10,025,914</u>
Cash flows from financing activities:			
Term bank loans	17	(206,116,233)	63,421,361
Dividends paid	15	(498,224)	(783,304)
Interest paid		(21,331,241)	(34,948,761)
Short term bank facilities	13	(32,913,554)	(84,086,446)
Treasury shares purchase		(15,000)	-
Net cash used in financing activities		<u>(260,874,252)</u>	<u>(56,397,150)</u>
Net change in cash and cash equivalents		36,420,873	15,334,380
Cash and cash equivalents--Beginning of the year	27(c)	(36,136,693)	(51,471,073)
Cash and cash equivalents--End of the year	27(c)	<u>284,180</u>	<u>(36,136,693)</u>

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

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

1. FORMATION AND OBJECTIVE OF THE COMPANY

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

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 New and Amended Standards and Interpretations

The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2018 except for the adoption of amended standards and interpretations effective as of January 1, 2019, noted below:

IFRS 16 Leases

Effective from 1 January 2019, the Company adopted *IFRS 16 Leases*, which supersedes *IAS 17 Leases*, *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases-Incentives* and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet.

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments do not have any significant impact on the Company's separate financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The IASB issued amendments to the guidance in IAS 19, Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. These amendments do not have any significant impact on the Company's separate financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. This interpretation does not have any significant impact on the Company's separate financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle

Effective 1 January 2019, the Company adopted Annual Improvements to IFRS Standards 2015–2017 Cycle, which resulted in amendments to IFRS 3, Business Combinations, IFRS 11, Joint Arrangements, IAS 12, Income Taxes, and IAS 23, Borrowing Costs. These improvements do not have any impact on the Company's separate financial statements.

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, 2019 with the Company not opting for early adoption. These have therefore not been applied in preparing these financial statements.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation and statement of Compliance

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

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

These separate financial statements relate to Solidere and do not include the Company's share in the results and equity of the joint ventures, subsidiaries and associates.

Separate financial statements are prepared for statutory reasons. Consolidated financial statements are prepared and are available at the Company's headquarters.

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

In view of the long term nature and particulars of the Company's operations, the separate financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Company and which are subject to market conditions and other factors commonly associated with real estate development projects; as such, the separate statement of financial position is shown as "unclassified" without distinction between current and long-term components. However classification of financial position items is disclosed in Note 33.

The significant accounting policies are set out below:

B. Foreign Currencies:

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

C. Financial Instruments:

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of Accounts and notes receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets at amortised cost (debt instruments)

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

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

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

Impairment of financial assets

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

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

For accounts and notes receivable and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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 Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

A receivable represents the Company'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 Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

ii) Derecognition:

Financial assets

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

- The rights to receive cash flows from the asset have expired, or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company'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 Company 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 Company's continuing involvement is the amount of the transferred asset that the Company 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 Company'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 profit or loss.

Offsetting:

Financial assets and financial liabilities are only offset and the net amount is reported in the separate statement of financial position when there is a legally enforceable right to set-off the recognized amounts and the Company 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 (N).

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

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

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

F. Investments in Subsidiaries:

The Company's investments in subsidiaries are accounted for under the cost method of accounting. Subsidiaries are entities that the Company controls. 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.

G. Investments in Associates and Joint ventures:

The Company's investments in associates and joint ventures are accounted for under the equity method of accounting in the consolidated financial statements and at cost in the separate financial statements.

An associate is an entity over which the Company 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.

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

I. Impairment of Tangible Assets:

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

Recoverable amount is defined as the higher of:

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

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

J. 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 Company'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.

K. 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 when control is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and when the following conditions are met:

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

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

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

Rental income arising from leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

Revenue from rendering of services and broadband network is recognized when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

L. 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 calculated by dividing, total estimated cost of the land development project over total available BUA after deducting of the BUA relating to recuperated properties and those relating to the religious and public administrations.

M. Cash and Cash Equivalents:

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

N. Borrowing Costs:

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

All other borrowing costs are reflected in the separate statement of profit or loss and other comprehensive income in the period in which they are incurred.

O. 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.

P. 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 separate 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.

Q. Taxation:

Current Tax

Income tax is determined and provided for in accordance with the Lebanese income tax law. Income tax expense is calculated based on the taxable profit for the year. Taxable profit differs from net profit as reported in the separate statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in future years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted at the balance sheet date. Provision for income tax is reflected in the separate 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 date of the separate statement of financial position between the tax bases of assets and liabilities and their carrying amounts.

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

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

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

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

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

R. Provisions:

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

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

S. Employees' End-of-Service Indemnities:

The Company provides end-of-service indemnity to its employees. The entitlement to these benefits is based on the employees' final salary and length of service, subject to the completion of a minimum service period and for those employees wishing to settle their accounts. The expected costs of these benefits are accrued over the period of employment.

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 Company.

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

Operating Environment of the Company

The Company's operations during 2019 are in Lebanon that has been witnessing, since the last quarter of 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis as well as deep recession that have reached unprecedented levels.

Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on March 7, 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on March 9, 2020, which was followed by another announcement on March 23, 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese Government and the banking sector in Lebanon to borrow funds from international markets was significantly affected, reducing it to nil. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon and significantly reduced credit lines to companies and withdrawal of cash to private depositors, all of which added to the disruption of the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt and unemployment and poverty are rising fast and have reached unprecedented levels.

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the official peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the official peg of 1,507.5 US\$/LBP. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of the Lebanese citizens, driving high inflation and rise in the consumer price index.

The economy has been contracting at an accelerating pace since the last quarter of 2019 and the coronavirus affecting Lebanon and the whole world is contributing to further deterioration of the economic environment, disruption of businesses, rise of unemployment, and rise in poverty lines.

On April 30, 2020, the council of ministers approved the Lebanese Government's Financial Recovery Plan (the Plan). The Plan involves economic and fiscal reforms, reviewing the peg policy, a comprehensive government debt restructuring, and a comprehensive restructuring of the financial system addressing accumulated FX mismatches, embedded losses and resizing the banking sector.

The assets and liabilities in foreign currency as of December 31, 2019 were valued at the official exchange rate of 1,507.5 US\$ / LBP. However, several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official exchange rate: parallel exchange markets with high volatility, recently issued Central Bank circulars, estimation exchange rates detailed in the Plan, in addition to a wide range of exchange rates adopted for commercial transactions currently undertaken in the Lebanese territory. These financial statements do not include adjustments from any future change in the official exchange rate. The impact of the valuation of the assets and liabilities in foreign currencies at a different rate will be recognized in the financial statements once the revamping of the peg is officially implemented by the Lebanese Government.

As of December 31, 2019, the Company holds balances with Lebanese banks amounting to US\$9,895,492 recorded at an amount close to their face value.

The persisting economic crisis in Lebanon, the unavailability of financing, the imposition of unofficial capital controls together with current instability, might lead to further deterioration in the economy and therefore might affect the Company's future financial performance. The management is closely monitoring the environment in which the Company operates, including key indicators within its business, in order to minimize risks facing the Company and its future performance.

Going Concern

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

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

The Company 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 Company's historical observed default rates. The Company 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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of Investment in Joint Ventures, Subsidiaries and Associates

The Company assesses at each reporting date whether there is indication that an investment may be impaired. If any indication exists the Company 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 separate statement of profit or loss and other comprehensive income.

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 Company, based on comparable transactions identified by the Company for properties in the same geographical market serving the same real estate segment. NRV in respect of inventory of property under construction and investment properties 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. CASH AND BANK BALANCES

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Cash on hand	508,436	5,304
Checks for collection	407,669	13,237,344
Current accounts	14,952,120	5,664,549
Short term deposits	3,374,810	4,094,510
	<u>19,243,035</u>	<u>23,001,707</u>
Less: Allowance for expected credit losses	<u>(7,595,707)</u>	<u>(95,707)</u>
	<u>11,647,328</u>	<u>22,906,000</u>

Short term deposits mature within three months (December 31, 2018: same). The average yield on the term deposits for the year ended December 31, 2019 was approximately 4.51% (4.43% for the year ended December 31, 2018).

6. PREPAYMENTS AND OTHER DEBIT BALANCES

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Advance payments to contractors	149,450	4,110,355
Advances to employees	944,312	624,270
Accrued interest income (a)	-	142,259
Prepaid expenses	6,769,960	7,174,896
Deferred tax assets (b)	1,827,500	7,989,544
Due from joint ventures, subsidiaries, associates and related parties (c)	3,041,367	3,093,579
Other debit balances, net (d)	5,164,509	30,250,374
	<u>17,897,098</u>	<u>53,385,277</u>

(a) Accrued interest income consists of the following:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Interest on bank deposits	-	4,716
Interest on notes and accounts receivable	-	137,543
Interest on long term loan to a joint venture (Note 11(a))	21,375,900	21,375,900
Less: Provision for impairment (Note 11 (a))	(21,375,900)	(21,375,900)
	<u>-</u>	<u>142,259</u>

(b) Deferred tax assets consist of the following:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Deferred tax asset on unrealized profits from sales to a joint venture (Note 11 (a))	1,827,500	1,827,500
Deferred tax asset on carry forward taxable losses	-	6,162,044
	<u>1,827,500</u>	<u>7,989,544</u>

The movement of the deferred tax assets was as follows:

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance, beginning of the year	7,989,544	6,012,500
Additions (Note 14(c.2))	-	1,977,044
Utilization (Note 14(c.2))	(5,435,007)	-
Write off to other expenses	(472,344)	-
Transfer to accrued income tax	(254,693)	-
Balance, end of the year	<u>1,827,500</u>	<u>7,989,544</u>

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

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$	US\$
Solidere International Limited (Associate)	32,261	32,261
Solidere Management Services S.A.L. (Subsidiary)	310,333	1,299,516
Solidere Management Services S.A.L. (Offshore) (Subsidiary)	5,650,969	5,650,969
Solidere International Holdings S.A.L (Holding) (Subsidiary)	8,629	8,629
City Makers S.A.R.L. (Related party)	65,897	65,526
Beirut Waterfront Development S.A.L. (Joint venture)	448,559	3,946
BCD Cinemas S.A.L. (Associate)	2,157,504	1,665,517
Less: Provision for impairment	(5,632,785)	(5,632,785)
	<u>3,041,367</u>	<u>3,093,579</u>

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

(d) Other debit balances amounting to US\$7,311,792 are stated net of provisions in the amount of US\$2,147,283 as at December 31, 2019 (December 31, 2018: US\$33,148,578 net of provisions in the amount of US\$2,898,204). During 2019, the Company collected a receivable balance from BCD 2 Fund amounting to US\$23,586,660 (Note 8).

The movement of the provisions was as follows:

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance, beginning of the year	2,898,204	2,850,839
Impact of adopting IFRS9 at January 1	-	170,170
Transfer to provision for accounts and notes receivable, net (Note 7 (d))	(750,921)	-
Write-back	-	(122,805)
Balance, end of the year	<u>2,147,283</u>	<u>2,898,204</u>

7. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31,	
	2019	2018
	US\$	US\$
Notes receivable (a)	189,768,377	295,200,405
Accounts receivable (b)	20,213,200	4,485,723
Less: Unearned interest (a)	(45,038,621)	(54,324,622)
Less: Allowance for impairment on notes and accounts receivable (d)	(82,639,914)	(148,694,182)
	<u>82,303,042</u>	<u>96,667,324</u>
Receivables from tenants (c)	49,082,590	40,354,859
Less: Allowance for impairment on receivable from tenants (d)	(23,507,381)	(9,903,572)
	<u>25,575,209</u>	<u>30,451,287</u>
Reserve account and deferred charges on BCD 1 Fund (Note 8)	12,279,048	12,279,048
Reserve account and deferred charges on BCD 2 Fund (Note 8)	9,778,969	7,178,969
	<u>22,058,017</u>	<u>19,458,017</u>
	<u>129,936,268</u>	<u>146,576,628</u>

The Company's credit risk exposure in notes and accounts receivable is spread over 19 counter-parties; 7 customers constitute 93% of the total exposure and 12 customers constitute the remaining 7% as of December 31, 2019 (as of December 31, 2018, 21 counter-parties; 7 customers constitute 90% of the total exposure and 14 customers constitute the remaining 10%).

The Company'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, 2019 (3 tenants constitute 66% of the total exposure as of December 31, 2018).

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

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

	December 31,	
	2019	2018
	US\$	US\$
Doubtful balances	187,683,672	186,549,343
Overdue but not impaired	1,405,956	8,571,351
2019	-	47,537,489
2020	288,736	17,158,788
2021 and above	390,013	35,383,434
	<u>189,768,377</u>	<u>295,200,405</u>

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

	December 31,	
	2019	2018
	US\$	US\$
Doubtful balances	1,503,200	4,485,723
Overdue but not impaired	2,010,000	-
2020	16,700,000	-
	<u>20,213,200</u>	<u>4,485,723</u>

Included under accounts receivable, balances amounting to US\$18,310,000 resulting from two land sales, which were fully collected subsequently.

- (c) Receivables from tenants includes an amount of US\$22,858,408 as of December 31, 2019 (US\$23,574,067 as of December 31, 2018) due from the Lebanese Ministry of Foreign Affairs and Immigrants in respect of the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia - ESCWA

During 2019, the Company wrote-off doubtful receivables from tenants in the amount of US\$606,254 recorded under "Write-off of receivables" in the separate statement of profit or loss and other comprehensive income (US\$713,359 during the year 2018).

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

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance at the beginning of the year	158,597,754	158,519,944
Impact for adopting IFRS9 at January 1	-	450,131
Restated balance at January 1	158,597,754	158,970,075
Additions, net	5,829,164	12,335,136
Write-off	(61,030,544)	(12,707,457)
Transfer from provision for contingencies (Note 14 (e))	2,000,000	-
Transfer from provision for other debit balances (Note 6 (d))	750,921	-
Balance at the end of the year	<u>106,147,295</u>	<u>158,597,754</u>

During 2018, the Company wrote-off doubtful receivables from five land sales made in previous years in the amount of US\$32,949,138 as per the settlement agreements with the debtor and recorded under “Write-off of receivables” in the separate statement of profit or loss and other comprehensive income.

Following the settlement agreements performed during 2019, the Company wrote-off an amount of US\$60,585,176 of previously provided for doubtful receivables from four land sales made in previous years. In addition, the Company wrote-off doubtful receivables from tenants in the amount of US\$445,368 that were already provided for under “allowance for impairment”.

8. INVESTMENT IN ASSET-BACKED SECURITIES

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

During 2018, the Company signed another agreement with the same financial institution to securitize notes receivable with an aggregate nominal value of US\$81million relating to 4 customers creating Beirut Central District SIF 2 Fund (the BCD 2 Fund). As a result, the Company collected an amount of US\$19,168,014, net of reserve account and transaction costs.

Subsequent to the closing date of the BCD 2 Fund, a restructuring of the fund’s issued Notes occurred whereby US\$4.6M Class A Notes and US\$18.8M Class B Notes were paid back in 2019 to the Company (Note 6 (d)).

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

Class of Notes	Final Issuance US\$	Subscription Amount US\$	Carrying Amount December 31,		Interest Rate %
			2019 US\$	2018 US\$	
BCD 1:					
Class A	130,000,000	28,000,000	-	-	5
Class B	45,000,000	45,000,000	5,378,559	10,558,924	5
Class C	10,160,450	10,160,450	10,160,450	10,160,450	-
	<u>185,160,450</u>	<u>83,160,450</u>	<u>15,539,009</u>	<u>20,719,374</u>	
Allowance for expected credit losses	-	-	(7,100,000)	(7,100,000)	
BCD 2:					
Class A	56,777,280	6,546,883	5,327,578	6,546,883	7
Class B	24,333,120	24,333,120	24,333,120	24,333,120	-
	<u>81,110,400</u>	<u>30,880,003</u>	<u>29,660,698</u>	<u>30,880,003</u>	
Allowance for expected credit losses	-	-	(29,400,000)	(24,800,000)	
	<u>266,270,850</u>	<u>114,040,453</u>	<u>8,699,707</u>	<u>19,699,377</u>	

BCD 1 Fund:

Class B Notes are redeemable on a semi-annual basis. Class B Notes were subordinated to Class A Notes. Class C Notes are subordinated to Class A and Class B Notes and will be repaid by the BCD 1 Fund solely if excess funds are available from collection of assets.

Interest on Class B Notes is non-cumulative and is paid semiannually solely from available funds after payment of the BCD 1 Fund's dues for the related periods. Interest payments as of June 30, 2019.

The Company placed a reserve account in the amount of US\$6,650,000, as stipulated by the BCD 1 Fund's regulations, to cover any shortfall in payments of principal and interest of the asset-backed securities issued by the BCD 1 Fund and to cover the senior expenses of the BCD 1 Fund. The Company funds this reserve account to maintain the required balance.

During 2019, an amount of US\$491,498 was used to cover the shortfall in the Fund's payments (US\$770,559 during 2018) and the outstanding reserve account balance decreased to US\$407,600 as at December 31, 2019 (US\$899,098 as at December 31, 2018).

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

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance at the beginning of the year	899,098	1,669,657
To cover shortfall in payments of principal and interest	<u>(491,498)</u>	<u>(770,559)</u>
Balance at the end of the year	<u>407,600</u>	<u>899,098</u>

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

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance, beginning of the year	11,379,950	10,609,391
Withdrawals from reserve BCD 1 Fund	<u>491,498</u>	<u>770,559</u>
Balance, end of the year	<u>11,871,448</u>	<u>11,379,950</u>

BCD 2 Fund:

Class A and B Notes are redeemable on a pro rata basis on each quarterly payment date, subject to availability of funds. Class B Notes are subordinated to Class A Notes and will be repaid by the 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 (note 7). During 2019, an additional cash injection amounting to US\$2,600,000 was added to the reserve account to cover shortfall in payments. During 2019, an amount of US\$9,887,241 was used to cover the shortfall in payments.

The net decrease in the reserve account in the aggregate of US\$7,286,851 as of December 31, 2019 was recorded under "Deferred charges from securitization of notes on BCD 2 Fund under "Accounts and notes receivables, net" and will be covered from any subsequent distribution made by the BCD 2 Fund (Note7).

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

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance at the beginning of the year	9,779,359	-
Initial injection	-	7,178,969
Additions	2,600,000	2,600,390
To cover shortfall in payments of principal and interest	<u>(9,887,241)</u>	<u>-</u>
Balance at the end of the year	<u>2,492,118</u>	<u>9,779,359</u>

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

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance, beginning of the year	(2,600,390)	-
Injection to reserve account	-	(2,600,390)
Withdrawals from reserve BCD 2 Fund	<u>9,887,241</u>	<u>-</u>
Balance, end of the year	<u>7,286,851</u>	<u>(2,600,390)</u>

Provision for impairment on Funds:

During 2019, the Company set up a provision for impairment in the amount of US\$4,600,000 recorded under "Provision for impairment, net" in the statement of profit or loss and other comprehensive income (US\$22,910,000 during 2018).

Interest income from the Funds:

Interest income in the amount of US\$713,903 for the year 2019 (US\$1,397,184 for the year 2018) is recorded under "Interest income" in the separate statement of profit or loss and other comprehensive income (Note 25).

9. INVENTORY OF LAND AND PROJECTS IN PROGRESS

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$	US\$
Land and land development works, net (a)	962,203,131	1,058,727,608
Real estate development projects, net (b)	<u>148,367,959</u>	<u>146,173,132</u>
	<u>1,110,571,090</u>	<u>1,204,900,740</u>

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

	December 31,	
	2019	2018
	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)	951,114,548	939,431,499
Eviction costs (a.4)	260,351,968	260,351,968
Capitalized costs (a.5)	114,013,046	111,401,388
Cumulative costs	2,305,715,918	2,291,421,211
<u>Less:</u> Cost of land sold, net	(1,161,139,948)	(1,050,320,764)
Cost of land transferred to real estate development projects (Note 9 (b))	(176,019,718)	(176,019,718)
Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
	<u>962,203,131</u>	<u>1,058,727,608</u>

(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 Company.

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

	December 31,	
	2019	2018
	US\$	US\$
Sea front defense	359,276,005	346,834,785
Work executed in the traditional BCD area	209,590,042	209,486,573
Land reclamation and treatment	103,610,195	103,550,252
Electricity power station	42,942,938	42,918,081
Borrowing costs (Note 26)	48,433,751	47,883,735
Other costs	187,261,617	188,758,073
	<u>951,114,548</u>	<u>939,431,499</u>

(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, 2019 (US\$22.2million as of December 31, 2018) 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, 2019 before indirect cost reallocation amounted to US\$2.6million (US\$5.8million during the year ended December 31, 2018) (Note 23).

(b) Real estate development projects include the following:

	December 31,	
	2019	2018
	US\$	US\$
Construction and rehabilitation of buildings	801,715,027	799,520,200
Cost of land (Note 9 (a))	176,019,718	176,019,718
Cumulative costs	977,734,745	975,539,918
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)
	<u>148,367,959</u>	<u>146,173,132</u>

During 2019, the Company allocated interest expense to real estate development projects in the amount of US\$764,595 (US\$630,593 during 2018) (Note 26).

During 2019, the Company wrote-off an amount of US\$15.7million of previously capitalized cost on development projects that were abandoned. The amount written off is recorded under "Write-off of real estate development projects cost" in the separate statement of profit or loss and other comprehensive income.

10. INVESTMENT PROPERTIES, NET

	Balance as at December 31, 2018 US\$	Additions US\$	Disposals and Sales US\$	Balance as at December 31, 2019 US\$
Cost:				
Land	114,554,400	-	(1,442,831)	113,111,569
Buildings	559,184,476	3,030,084	(8,478,842)	553,735,718
Other assets	36,951,788	438,043	(4,504)	37,385,327
	<u>710,690,664</u>	<u>3,468,127</u>	<u>(9,926,177)</u>	<u>704,232,614</u>
Accumulated Depreciation:				
Buildings	104,380,614	11,149,225	(969,068)	114,560,771
Other assets	21,848,789	2,645,969	(498)	24,494,260
	<u>126,229,403</u>	<u>13,795,194</u>	<u>(969,566)</u>	<u>139,055,031</u>
Net Book Value	<u>584,461,261</u>			<u>565,177,583</u>
	Balance as at December 31, 2017 US\$	Additions US\$	Disposals and Sales US\$	Balance as at December 31, 2018 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
	<u>708,682,460</u>	<u>3,459,804</u>	<u>(1,451,600)</u>	<u>710,690,664</u>
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
	<u>112,708,267</u>	<u>13,754,904</u>	<u>(233,768)</u>	<u>126,229,403</u>
Net Book Value	<u>595,974,193</u>			<u>584,461,261</u>

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

Disposals of land, building and other assets during 2019 resulted in a gain of US\$3,803,963 recorded under "Gain on sale and disposal of investment properties" in the separate statement of profit or loss and other comprehensive income for the year ended December 31, 2019 (US\$287,141 for the year ended December 31, 2018).

Depreciation for investment properties in the amount of US\$13,795,194 for the year 2019 (US\$13,754,904 for the year 2018) is recorded under "Charges on rented properties" in the separate statement of profit or loss and other comprehensive income (Note 21).

The fair value of the investment properties based on a valuation by an independent expert is approximately US\$1.21billion as of December 31, 2019 (US\$1.21billion as of December 31, 2018) based on a market capital approach estimated by the management.

The Company classifies investment properties within level 2 in the hierarchy of fair value measurement (Note 34).

11. INVESTMENTS IN JOINT VENTURES, SUBSIDIARIES AND ASSOCIATES

	% of Ownership		December 31,	
	2019	2018	2019	2018
	%	%	US\$	US\$
Investment in Beirut Waterfront Development S.A.L. (Joint venture) (a)	50	50	11,385,075	11,385,075
Long term loan to Beirut Waterfront Development S.A.L.(Joint venture) (a)			36,540,000	36,540,000
Investment in Beirut Real Estate Management and Services S.A.L. (Joint venture)	45	45	9,000	9,000
Investment in Solidere Management Services S.A.L. (Subsidiary)	100	100	124,933	124,933
Investment in Solidere Management Services S.A.L. (Offshore) (Subsidiary)	100	100	249,600	249,600
Investment in Solidere International Holdings S.A.L. (Subsidiary) (b)	100	100	196,739,748	218,599,600
Investment in Solidere International Limited (Associate) (c)	39	39	20,147,361	22,076,503
Investment in BCD Cinemas S.A.L (Associate)	40	40	8,000	8,000
Investment in Beirut Hospitality Company S.A.L. (Holding) (Subsidiary)	100	100	33,302,380	33,302,380
Investment in STOW Waterfront Holding S.A.L.	3.33	1.68	530,297	566,000
Due from Beirut Hospitality Company S.A.L. (Holding) (Subsidiary) (d)	100	100	-	6,500,000
Less: Provision for impairment of Beirut Waterfront Development S.A.L (Joint Venture) (a)			(25,890,000)	(23,340,000)
Less: Provision for impairment of subsidiaries (d)			(33,551,980)	(40,051,980)
			<u>239,594,414</u>	<u>265,909,111</u>

- (a) The Company 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. 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 Company 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 Company 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 statement of financial position, to be realized after realization of the sale of the properties to third parties (Note 16).

On June 27, 2006, the Company granted Beirut Waterfront Development S.A.L. a long term loan against issuance of bonds for a total amount of US\$25.2million. This loan is subject to an annual interest of Libor + 2% but not less than 9%, payable on June 30 of each year. The total amount of this loan was due on June 30, 2011. During 2011, the maturity of the above loan was extended to June 30, 2016 with the same terms and conditions of the previous agreement and the accumulated interest up to June 30, 2011 in the amount of US\$11,340,000 was capitalized with the original principal. The new principal of the loan accumulated interest amounting to US\$21,375,900 recorded under "Prepayments and other debit balance" caption (US\$21,375,900 as of December 31, 2018) (Note 6 (a)).

During 2018, the Company's 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 statement of profit or loss and other comprehensive income (Note 16). The Company setup provisions for the full amount recognized against long term loan in the capitalized portion of US\$11,340,000 and interest on long term loan in the amount of US\$21,375,900.

Also, the Company set up an additional provision against impairment of the investment and the receivables due from Beirut Waterfront Development S.A.L amounting to US\$10.6million recorded under "Provision for impairment, net" in the separate statement of profit or loss and other comprehensive income. Moreover during 2018, the Company transferred US\$1.4million from provision for impairment of remaining subsidiaries, to provide against the receivable due from Beirut Waterfront Development S.A.L. Also during 2019, the Company transferred US\$2.55million from provision for contingencies (Note 14 (e)). Thus, the Company has an aggregate provision balance in the amount of US\$14.6million against the receivable due from Beirut Waterfront Development S.A.L. as at December 31, 2019 (US\$12million as at December 31, 2018).

- (b) On July 27, 2019 the Extraordinary General Assembly of Solidere International Holdings S.A.L. decided to decrease the share capital of the company. As a result, the investment of the Company in the subsidiary decreased by a total of US\$21.86million to become US\$196.8million as at December 31, 2019.
- (c) During 2019, the Company participated in the Share Buyback Program I offered by Solidere International Limited. The Company sold 9,909 shares in stage 1 at US\$83 per share and 5,819 shares in stage 2 at US\$85 per share resulting in a total loss amounting to US\$578,224 recorded under "Other expense" in the statement of profit or loss and other comprehensive income. As a result, the investment in Solidere International Limited decreased by a total of US\$1.93million to become US\$20.15million as at December 31, 2019.

(d) During 2019, the Company wrote-off its receivable from Beirut Hospitality Company S.A.L. (Holding) in the amount of US\$6.5million, which was fully provided for in prior years.

12. FIXED ASSETS, NET

	Balance as at December 31, 2018	Additions	Disposals and Sales	Balance as at December 31, 2019
	US\$	US\$	US\$	US\$
Cost				
Land	5,856,869	-	(450,191)	5,406,678
Buildings	39,637,884	60,923	(1,532,723)	38,166,084
Marina	7,974,624	-	-	7,974,624
Furniture and fixture	5,496,829	2,375	-	5,499,204
Freehold improvements	14,032,429	-	(65,572)	13,966,857
Machines and equipment	39,214,438	411,440	(55,045)	39,570,833
	<u>112,213,073</u>	<u>474,738</u>	<u>(2,103,531)</u>	<u>110,584,280</u>
Accumulated Depreciation				
Buildings	9,422,005	730,194	(463,730)	9,688,469
Marina	2,128,833	301,645	-	2,430,478
Furniture and fixtures	4,578,086	219,004	-	4,797,090
Freehold improvements	10,004,660	708,291	(40,847)	10,672,104
Machines and equipment	37,576,752	410,037	(53,080)	37,933,709
	<u>63,710,336</u>	<u>2,369,171</u>	<u>(557,657)</u>	<u>65,521,850</u>
Net Book Value	<u>48,502,737</u>			<u>45,062,430</u>

	Balance as at December 31, 2017	Additions	Disposals and Sales	Balance as at December 31, 2018
	US\$	US\$	US\$	US\$
Cost				
Land	5,856,869	-	-	5,856,869
Buildings	39,343,772	294,112	-	39,637,884
Marina	7,974,624	-	-	7,974,624
Furniture and fixture	5,490,359	6,470	-	5,496,829
Freehold improvements	14,025,555	6,874	-	14,032,429
Machines and equipment	38,947,297	305,010	(37,869)	39,214,438
	<u>111,638,476</u>	<u>612,466</u>	<u>(37,869)</u>	<u>112,213,073</u>
Accumulated Depreciation				
Buildings	8,456,407	965,598	-	9,422,005
Marina	1,968,789	160,044	-	2,128,833
Furniture and fixtures	4,328,638	249,448	-	4,578,086
Freehold improvements	9,223,698	780,962	-	10,004,660
Machines and equipment	37,037,682	576,939	(37,869)	37,576,752
	<u>61,015,214</u>	<u>2,732,991</u>	<u>(37,869)</u>	<u>63,710,336</u>
Net Book Value	<u>50,623,262</u>			<u>48,502,737</u>

Disposals of building, freehold improvements and machines and equipment resulted in a gain of US\$2,799,599 recorded under "Other Income" in the separate statement of profit or loss and other comprehensive income for the year ended December 31, 2019 (US\$5,117 for the year ended December 31, 2018) (Note 24).

13. BANK OVERDRAFTS AND SHORT TERM FACILITIES

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Bank overdrafts	18,958,855	59,138,400
Short term facilities	30,000,000	62,913,554
	<u>48,958,855</u>	<u>122,051,954</u>

Interest expense on bank overdrafts for the year ended December 31, 2019 amounted to US\$3,680,543 and is recorded under "Interest expense" in the separate statement of profit or loss and other comprehensive income (US\$6,928,218 for the year ended December 31, 2018) (Note 26).

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

<u>Facility Amount</u>	<u>Maturity Date</u>	<u>Covenants</u>	<u>December 31,</u>	
			<u>2019</u>	<u>2018</u>
			<u>US\$</u>	<u>US\$</u>
50,000,000	31-Jul-19	(a)	30,000,000	51,092,500
9,000,000	27-Dec-19	(b)	-	11,821,054
			<u>30,000,000</u>	<u>62,913,554</u>

(a) The covenants of the facility stipulate that the Company maintains a minimum equity of US\$1 billion, 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 and the interest rate was changed from 6.25% to BRR+1. During 2020, the Company fully settled the outstanding balance.

(b) The covenants of the facility stipulate that the Company should maintain a minimum total equity balance of US\$1 billion, 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\$9 million on December 27, 2019 paid while changing the interest rate from 7.85% to BRR+1.25 with a floor of 9.50%.

Interest expense on short term facilities for the year ended December 31, 2019 amounted to US\$4,045,610 (US\$8,504,029 for the year ended December 31, 2018) and is recorded under "Interest expense" in the separate statement of profit or loss and other comprehensive income (Note 26).

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	December 31,	
	2019	2018
	US\$	US\$
Accounts payable (a)	43,803,191	39,552,531
Accrued charges and other credit balances (b)	13,502,258	28,253,180
Taxes payable (c)	19,775,468	11,548,939
Provision for end-of-service indemnity and other charges (d)	8,824,961	10,359,034
Provision for contingencies (e)	16,051,102	28,387,764
Accrued interest payable	1,182,242	1,288,869
Due to subsidiaries and related parties (f)	3,012,894	1,885,741
	<u>106,152,116</u>	<u>121,276,058</u>

(a) Accounts payable as of December 31, 2019 and 2018 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 29 (f).

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

	December 31,	
	2019	2018
	US\$	US\$
Deposits from tenants	2,720,351	2,859,226
Accrued municipality expenses	1,424,153	1,000,000
Accruals for project costs	2,466,532	14,367,259
Accruals for employees and management benefits	500,000	-
Accruals for utilities costs	2,579,673	4,995,397
Other	3,811,549	5,031,298
	<u>13,502,258</u>	<u>28,253,180</u>

During 2019, an amount of US\$1million was transferred from other accruals to provision for contingencies (Note 14(e)).

(c) Taxes payable consist of the following:

	December 31,	
	2019	2018
	US\$	US\$
Value added tax (VAT) payable (c.1)	1,193,882	3,852,212
Accrued income tax (c.2)	11,088,914	254,693
Additional tax assessment (c.3)	4,535,979	3,920,871
Taxes withheld	433,523	645,743
Property tax payable	2,523,170	2,875,420
	<u>19,775,468</u>	<u>11,548,939</u>

(c.1) Value added tax (VAT)

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

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

The movement of the Value added tax (VAT) payable was as follows:

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance, beginning of the year	3,852,213	5,808,396
Transfer to/from provision for contingencies (Note 14(e))	(2,152,052)	1,977,044
Adjustment	233,605	-
Additions	8,795,453	15,031,622
Settlements	<u>(9,535,337)</u>	<u>(16,987,804)</u>
Balance, end of the year	<u>1,193,882</u>	<u>3,852,213</u>

(c.2) Income tax

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

The accrued income tax for the years 2019 and 2018 was estimated as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$	US\$
Profit/(loss) before tax	79,750,134	(113,946,189)
Add: Non-deductible reconciling items (Net)	<u>17,449,403</u>	<u>106,219,425</u>
Taxable profit/(loss)	97,199,537	(7,726,764)
Applicable tax rate	17%	17%
Income tax expense	16,523,921	-
Other taxes withheld	46,453	76,078
Less: Deferred tax asset (Note 6 (b))	-	<u>(1,977,044)</u>
Income tax expense/(benefit)	<u>16,570,374</u>	<u>(1,900,966)</u>
Income tax expense	16,570,374	-
Less: Other taxes withheld	(46,453)	-
Less: Deferred tax asset utilized (Note 6 (b))	<u>(5,435,007)</u>	<u>-</u>
Accrued income tax	<u>11,088,914</u>	<u>-</u>

(c.3) Additional Tax Assessment

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Opening balance	3,920,871	14,931,963
Transfer from provision for contingencies (Note 14(e))	4,960,523	1,275,187
Settlements	<u>(4,345,415)</u>	<u>(12,286,279)</u>
Ending balance	<u>4,535,979</u>	<u>3,920,871</u>

The Company's accounts and income tax returns for the years up to 2015 were subject to review and tax assessment by the tax authorities over the years up to 2019. These reviews resulted in additional tax liabilities that the Company has setup provisions and accrued for as incurred.

The Company's accounts and income tax returns for the years 2016 until 2019 are still subject to examination and final assessment by the tax authorities.

The Company's Value Added Tax declarations for the years 2013 to 2017 and the first quarter of 2018 were subject to examination by the relevant tax authorities during 2018 and 2019. As a result of this examination, additional VAT liabilities were accrued for in the amount of US\$1.69million in 2019 (US\$2.08million in 2018). The Company filed claims against the VAT authorities claiming refund in the amount of US\$2.24million. In 2019, the VAT authorities approved the tax claim. Furthermore during 2019, the Company benefitted from a tax amnesty on its 2008 VAT additional liability granted by the tax regulator to tax payers that meet the eligibility criteria.

As a result of the above, the Company settled additional taxes in the amount of US\$3.5million in 2019 (US\$10.8million in 2018), in addition to penalties in the amount of US\$0.8million in 2019 (US\$1.5million in 2018).

The VAT declarations for the period from April 1, 2018 until 2019 are still subject to examination and final tax assessment by the VAT authority. Any additional tax liability is pending the results of this review.

The outstanding tax assessment liability balance as at December 31, 2019 and 2018 represents amounts accrued for and expected to be settled subsequently upon conclusion of pending objections or issuance of final results of tax assessments already in progress at year end.

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

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance at the beginning of the year	10,359,034	13,012,538
Additions	857,318	847,967
Settlements	<u>(1,648,132)</u>	<u>(1,346,175)</u>
Write-back	<u>(743,259)</u>	<u>(2,155,296)</u>
Balance at the end of the year	<u>8,824,961</u>	<u>10,359,034</u>

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

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Balance at the beginning of the year	28,387,764	27,752,135
Additions	1,235,000	8,304,000
Settlements	(4,984,470)	(6,533,488)
Transfer from provision on investment in subsidiaries	-	140,304
Transfers (Note 14(b), 14(c.1))	3,173,331	-
Write-off	(2,250,000)	-
Transfer to additional tax assessment (Note 14(c.3))	(4,960,523)	(1,275,187)
Transfer to allowance for impairment for rental receivables (Note 7 (d))	(2,000,000)	-
Transfer to provision for impairment of loan to a joint venture (Note 11 (a))	(2,550,000)	-
Balance at the end of the year	<u>16,051,102</u>	<u>28,387,764</u>

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

Included under provision for contingencies as at December 31, 2019 an amount of US\$735,000 setup during 2019 for employee redundancy and recorded under "Provision for contingencies" in the separate statement of profit or loss and other comprehensive income for the year ended December 31, 2019 (an amount of US\$4.5million as at December 31, 2018 set up during 2018).

Furthermore, the Company 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 separate statement of profit or loss and other comprehensive income. During 2018, a balance of US\$500,000 was settled by the customer and accordingly written back from the provision. During 2019, the Company signed an agreement with the customer to settle the outstanding receivable balance net of provision and accordingly wrote-off the provision balance of US\$2,250,000 against notes receivables in the separate statement of financial position.

(e) Due to subsidiaries and related parties include:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
GroupMed Insurance and Reinsurance Company SAL	1,488,769	1,799,635
GroupMed Insurance Brokers – Lebanon SAL	-	71,765
Solidere Management Services S.A.L.	1,402,601	-
Beirut Waterfront Development S.A.L	121,524	14,341
	<u>3,012,894</u>	<u>1,885,741</u>

15. DIVIDENDS PAYABLE

<u>General Assembly Date</u>	<u>Dividend Per Share</u>	<u>Declared</u>	<u>Settled/ Distributed up to December 31, 2019</u>	<u>December 31,</u>	
				<u>2019</u>	<u>2018</u>
				<u>Payable</u>	<u>Payable</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
June 29, 1996	0.2	30,918,413	29,490,238	1,428,175	1,432,732
June 30, 1997	0.25	40,367,172	37,743,975	2,623,197	2,628,955
June 29, 1998	0.25	39,351,753	36,199,225	3,152,528	3,158,325
June 23, 2003	Stock dividend	19,625,550	19,606,235	19,315	19,315
June 12, 2006	0.6	94,831,106	90,872,356	3,958,750	3,982,772
June 22, 2007	1	155,093,702	148,711,473	6,382,229	6,438,188
July 15, 2008	1	155,090,832	146,022,409	9,068,423	9,125,114
July 13, 2009	1.15	176,479,957	166,458,337	10,021,620	10,090,733
July 19, 2010	1.15	175,228,434	163,761,346	11,467,088	11,558,524
August 1, 2011	0.4	60,912,291	57,774,006	3,138,285	3,185,421
August 1, 2011	Stock dividend	85,987,850	85,987,850	-	-
July 30, 2012	0.25	39,316,239	36,318,835	2,997,404	3,031,673
July 30, 2012	Stock dividend	42,744,616	42,744,616	-	-
July 13, 2015	0.1	16,015,415	14,407,437	1,607,978	1,650,795
July 13, 2015	Stock dividend	36,859,996	36,859,996	-	-
June 27, 2016	0.1	16,302,491	13,152,520	3,149,971	3,210,640
June 27, 2016	Stock dividend	19,070,313	19,070,313	-	-
		<u>1,204,196,130</u>	<u>1,145,181,167</u>	<u>59,014,963</u>	<u>59,513,187</u>

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

16. DEFERRED REVENUES AND OTHER CREDIT BALANCES

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Cash down payments and commitments on sale contracts	19,133,871	5,094,852
Deferred rental revenue and related deposits	14,680,121	14,807,615
Unrealized gain on sale of properties to a joint venture (Note 11 (a))	10,750,000	10,750,000
	<u>44,563,992</u>	<u>30,652,467</u>

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

17. TERM BANK LOANS

<u>2019</u>	<u>2018</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Loan Repayment and Covenants</u>	<u>Outstanding Balance</u>	
					<u>December 31,</u>	
					<u>2019</u>	<u>2018</u>
<u>US\$</u>	<u>US\$</u>				<u>US\$</u>	<u>US\$</u>
50,000,000	50,000,000	December 30, 2021	variable	(a)	21,000,058	35,000,000
24,000,000	24,000,000	August 4, 2019	variable	(b)	-	6,000,000
50,000,000	50,000,000	December 30, 2020	variable	(c)	6,250,000	31,250,000
95,000,000	95,000,000	December 29, 2021	variable	(d)	23,200,000	88,000,000
40,000,000	40,000,000	December 30, 2021	variable	(e)	14,000,000	28,000,000
100,000,000	100,000,000	June 25, 2022	fixed	(f)	14,735,988	79,999,742
50,000,000	50,000,000	December 25, 2022	variable	(g)	24,945,987	49,999,744
30,000,000	30,000,000	December 25, 2022	variable	(h)	20,001,101	29,999,881
19,300,000	19,300,000	December 8, 2024	variable	(i)	13,348,164	13,348,164
18,000,000	-	December 31, 2021	variable	(j)	18,000,000	-
					<u>155,481,298</u>	<u>361,597,531</u>

Variable interest rates are linked to either Libor or Beirut Reference Rate (BRR).

- (a) During 2019, the Company rescheduled the loan balance and settled an amount of US\$14million of which US\$5million were overdue since 2018. The remaining loan balance will be settled through 7 equal quarterly installments of US\$2million each with the final settlement of US\$7million due on December 30, 2021. Subsequent to year-end, the Company fully settled the loan balance prior to maturity.

- (b) The repayment of the loan was scheduled to be paid through 4 equal annual installments of US\$6million each, starting August 4, 2016 with the final settlement on August 4, 2019. During 2019, the Company fully settled the loan balance at maturity (US\$6million was settled during 2018).
- (c) During 2018, the loan was restructured to 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. During 2019, the Company settled the overdue balance of the second semi-annual payment of 2018 in the amount of US\$6,250,000 plus an amount of US\$18,750,000, including an early settlement of US\$6,250,000. The remaining balance represents the final payment scheduled on December 30, 2020. Subsequent to year-end, the Company fully settled the loan balance prior to maturity.
- (d) During 2018, the Company signed a new loan contract amounting to US\$95million to be settled through 8 semi-annual installments starting November 21, 2018, with the final remaining balance to be settled on December 29, 2021. The loan was used to settle another loan amounting to US\$60million in addition to an overdraft of US\$35million. During 2018, an amount of US\$7million was settled. During 2019, the Company made an early settlement of US\$30million which led to a contract amendment by which the loan balance amounting to US\$58million was rescheduled to be settled through four installments starting June 30, 2020 with the final settlement being due on December 29, 2021. Then the Company made another early settlement in the amount of US\$38.5million. Subsequent to year-end, the Company fully settled the loan balance prior to maturity.
- (e) 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. During 2019, the Company settled an amount of US\$14million (US\$nil was settled during 2018). Subsequent to year-end, the Company fully settled the loan balance prior to maturity.
- (f) The repayment of the loan will be through 10 equal semi-annual installments of US\$10million each, starting December 25, 2017 with the final settlement on June 25, 2022. During 2019, the Company settled an amount of US\$30million of which US\$10million were overdue since 2018. In addition, the Company early settled an amount of US\$35million. Subsequent to year-end, the Company fully settled the loan balance prior to maturity.
- (g) During 2018, the Company restructured an overdraft in the amount of US\$50million into a 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. During 2019, the Company settled an overdue payment of US\$5million in addition to the 2019 installment of US\$5million and an early settlement of US\$15million. Subsequent to year-end, the Company fully settled the loan balance prior to maturity.
- (h) During 2018, the Company restructured an overdraft in the amount of US\$30million. 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. During 2019, the Company early settled an amount of US\$10million. Subsequent to year-end, the Company fully settled the loan balance prior to maturity.

- (i) The purpose of the loan is to finance the project of North Souks Department Stores. During 2019, no withdrawals were made from the loan balance (US\$5,373,886 was withdrawn during 2018). The remaining balance should be withdrawn gradually before the end of the grace period of 3 years being end of 2020. 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. Subsequent to year-end, the Company fully settled the loan balance prior to maturity.
- (j) During 2019, the Company signed a new loan agreement for US\$18million with a non-resident bank for a period of two years for working capital needs and investment financing. The loan was fully withdrawn in 2019. The repayment of the loan will be through 4 equal installments amounting to US\$4.5million each, starting November 30, 2020 to 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 of US\$1.75 billion in net tangible assets.

Term bank loans carry the following maturities:

	December 31,	
	2019	2018
	US\$	US\$
2019	-	138,750,000
2020	25,750,000	89,500,000
2021	82,983,809	86,601,780
2022	38,525,020	38,523,282
2023	3,206,763	3,206,763
2024	5,015,706	5,015,706
	<u>155,481,298</u>	<u>361,597,531</u>

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 2019 amounted to US\$20,823,105 (US\$19,406,604 for the year 2018) and is recorded under "Interest expense" in the separate statement of profit or loss and other comprehensive income (Note 26) net of early settlement discounts in the amount of US\$7,425,000.

18. CAPITAL

Capital as at December 31, 2019 and 2018 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 Company.
- 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 Company.

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

19. LEGAL RESERVE

In conformity with the Company'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.

20. REVENUES FROM RENDERED SERVICES

	Year Ended December 31,	
	2019	2018
	US\$	US\$
Services rendered to related parties (Note 28)	-	1,683,972
Broadband network revenues	5,121,403	5,064,021
	<u>5,121,403</u>	<u>6,747,993</u>

21. DEPRECIATION OF AND CHARGES ON RENTED PROPERTIES

	Year Ended December 31,	
	2019	2018
	US\$	US\$
Depreciation expense (Note 10)	13,795,194	13,754,904
Property taxes	1,242,706	1,316,728
Manpower	8,312,765	7,536,760
Advertising	457,480	374,026
Electricity, maintenance and other charges	8,631,004	8,081,544
Recoveries from tenants	(10,299,436)	(7,847,575)
	<u>22,139,713</u>	<u>23,216,387</u>

Manpower includes reallocated salaries, benefits and related charges in the aggregate amount of US\$4,632,178 during the year ended December 31, 2019 (US\$4,775,709 during the year ended December 31, 2018) (Note 23).

22. COST OF RENDERED SERVICES

	Year Ended December 31,	
	2019	2018
	US\$	US\$
Cost of services rendered to related parties (Note 28)	-	1,683,972
Broadband network cost of services rendered	4,017,046	4,345,967
	<u>4,017,046</u>	<u>6,029,939</u>

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended	
	December 31,	
	2019	2018
	US\$	US\$
Salaries, benefits and related charges	16,478,587	15,963,013
Termination	107,000	7,622,232
Board of directors' remuneration	180,000	240,000
Professional services	2,507,068	1,958,241
Promotion and advertising	58,908	213,817
Utilities, office, maintenance and other similar expenses	2,039,961	2,590,747
Travel and accommodation	182,196	271,042
Other expenses	372,487	833,339
	<u>21,926,207</u>	<u>29,692,431</u>

The Company reallocated salaries, benefits and related charges and administrative expenses amounting to US\$2,611,658 to construction cost during the year ended December 31, 2019 (US\$5,841,430 during the year ended December 31, 2018) (Note 9(a.5)).

The Company reallocated salaries, benefits and related charges amounting to US\$4,632,178 to charges on rented property during the year ended December 31, 2019 (US\$4,775,709 during the year ended December 31, 2018) (Note 21).

The Company reallocated salaries, benefits and related charges amounting to US\$nil to cost of rendered services during the year ended December 31, 2019 (US\$1,683,972 during the year ended December 31, 2018) (Note 22).

24. OTHER INCOME

	Year Ended	
	December 31,	
	2019	2018
	US\$	US\$
Gain on sale of fixed assets (Note 12)	2,799,599	5,117
Gain on sale of facility management services department (Note 28)	-	2,000,000
Income from events and activities	108,055	166,749
Other	57,929	131,883
	<u>2,965,583</u>	<u>2,303,749</u>

25. INTEREST INCOME

	Year Ended December 31,	
	2019	2018
	US\$	US\$
Interest income from notes and accounts receivable	102,695	5,096,688
Interest income from banks	606,846	614,399
Interest income from asset-backed securities (Note 8)	713,903	1,397,184
	<u>1,423,444</u>	<u>7,108,271</u>

26. INTEREST EXPENSE

	Year Ended December 31,	
	2019	2018
	US\$	US\$
Interest expense on short term facilities (Note 13)	4,045,610	8,504,029
Interest expense on bank overdrafts (Note 13)	3,680,543	6,928,218
Interest expense on term bank loans net of discounts (Note 17)	13,398,105	19,406,604
Interest expense allocated to infrastructure costs (Note 9 (a.3))	(550,016)	(655,208)
Interest expense allocated to real estate development projects (Note 9 (b))	(764,595)	(630,593)
Bank commissions and charges	100,356	91,452
	<u>19,910,003</u>	<u>33,644,502</u>

27. NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	Year Ended December 31,	
	2019	2018
	US\$	US\$
Depreciation of fixed assets (Note 12)	2,369,171	2,732,991
Depreciation of investment properties (Note 10)	13,795,194	13,754,904
Depreciation charge for the year	<u>16,164,365</u>	<u>16,487,895</u>

(b) Interest expense consists of the following:

	Year Ended	
	December 31,	
	2019	2018
	US\$	US\$
Interest charged as period cost (Note 26)	19,910,003	33,644,502
Interest expense allocated to inventory of land and projects in progress (Note 26)	<u>1,314,611</u>	<u>1,285,801</u>
Total interest expense	<u><u>21,224,614</u></u>	<u><u>34,930,303</u></u>

(c) Cash and cash equivalents comprise the following:

	December 31,	
	2019	2018
	US\$	US\$
Cash on hand (Note 5)	508,436	5,304
Checks for collection (Note 5)	407,669	13,237,344
Current accounts (Note 5)	14,952,120	5,664,549
Short term deposits (Note 5)	3,374,810	4,094,510
Bank overdrafts (Note 13)	<u>(18,958,855)</u>	<u>(59,138,400)</u>
	<u><u>284,180</u></u>	<u><u>(36,136,693)</u></u>

(d) During 2019, the following non-cash transactions were excluded from the statement of cash flows:

- Decrease of US\$9,395,912 in “prepayments and other debit balances” against a decrease in “accounts payable and other liabilities” (Notes 6 and 14).
- Decrease of US\$2,250,000 in “accounts and notes receivable, net” against a decrease in “accounts payable and other liabilities (Notes 7 and 14).
- Increase of US\$2,466,532 in “inventory of land and projects in progress” against an increase in “accounts payable and other liabilities” (Notes 9 and 14).
- Decrease of US\$4,550,000 in “accounts payable and other liabilities” against a decrease of US\$2,550,000 in “Investment in joint ventures, subsidiaries and associates” and US\$2,000,000 in “accounts and notes receivable, net” (Notes 6, 11 and 14).
- Increase of US\$750,921 in “prepayments and other debit balances” against a decrease in “accounts and notes receivable, net” (Notes 6 and 7).

28. RELATED PARTIES TRANSACTIONS

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

29. COMMITMENTS AND CONTINGENCIES

- (a) An agreement between the Company 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 Company was granted 291,800sqm of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Company 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\$2.3billion. 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, 2019 amounted to approximately US\$49million (US\$75million as of December 31, 2018).
- (d) In prior periods, the Company 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 Company 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 Company 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 Company’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 Company.
- (f) On June 7, 1997, the Company signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Company 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 Company 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 Company 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 Company 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 Company 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. A final binding judgment was rendered on July 4, 2019 by the Supreme Court against the Company confirming in substance the judgment rendered by Beirut Court of Appeal and thus ordering the Company to register the units in Beirut Souks in the name of the plaintiffs. In 2017, other separate lawsuits were filed in connection with the original lawsuit. As the judgement by the Supreme Court supersedes the separate lawsuits that are still pending, management expects their outcome also to be against the Company. However, management does not expect any additional negative financial impact on the financial statements.
- (j) The Company has commitments and contingencies in the form of letters of guarantee in the amount of US\$3,205,000 as at December 31, 2019 (as at December 31, 2018 commitments and contingencies in the form of letters of guarantee in the amount of US\$3,205,000).

30. CAPITAL MANAGEMENT

The primary objective of the Company'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 Company 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, 2019 and 2018.

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

The Company monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Total liabilities	414,171,224	695,091,197
Less: Cash and bank balances	<u>(11,647,328)</u>	<u>(22,906,000)</u>
Total debt	402,523,896	672,185,197
Total equity	<u>1,714,414,694</u>	<u>1,651,249,934</u>
Gearing ratio	<u>0.23</u>	<u>0.41</u>

31. RISK MANAGEMENT

The Company'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 Company's operations. The Company 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 Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

(a) Interest Rate Risk:

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company'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, on the Company's profit before tax.

	<u>Increase/ Decrease in Basis Points</u>	<u>Effect on Profit before Tax US\$</u>
2019:		
US Dollar	+50	119,342
US Dollar	-25	(59,671)
2018:		
US Dollar	+50	(871,021)
US Dollar	-25	435,511

(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 Company is not materially exposed to currency risk since the majority of its financial assets and liabilities are denominated in U.S. Dollars.

(c) Credit Risk:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risk is primarily attributable to its liquid funds, receivables and other debit balances.

Bank balances and cash deposits

The Company's liquid funds are mainly placed with local Lebanese banks.

During the year, the Company recognized provision for expected credit losses on its bank balances for US\$7,500,000.

The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2019 and 2018 is the carrying amounts as illustrated in Note 5.

Accounts and notes receivable

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

The Company's maximum exposure to credit risk is the carrying amount as disclosed in Notes 5, 6, 7 and 8.

The Company'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 Company'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 term bank loans.

As of December 31, 2019 and 2018, the Company's current liabilities exceeded its current assets. In order for the Company 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. The Company has subsequently collected receivables in the amount of US\$31million and signed nine land sale contracts for a total of US\$216million which were collected in full, in addition to advances on land sales for a total of US\$126million. A total of US\$193million was directed towards the settlement of bank facilities and borrowings reducing the Company's borrowings to US\$11.5million subsequent to year end. Moreover, the Company signed twenty real estate sales contracts for a total of US\$13.1million out of which US\$12.5million were collected and directed towards the Company's operating expenses.

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

	December 31, 2019				
	No Maturity	Less than 3 Months	3-12 Months	1 to 5 Years	Total
	US\$	US\$	US\$	US\$	US\$
Bank overdrafts and short term facilities	18,958,855	854,250	31,139,000	-	50,952,105
Accounts payable and other liabilities	26,480,363	21,517,964	-	-	47,998,327
Dividends payable	59,014,963	-	-	-	59,014,963
Deferred revenues and credit balances	-	-	-	-	-
Term bank loans	-	4,421,811	35,389,559	146,621,026	186,432,396
Non-financial liabilities	102,717,781	-	-	-	102,717,781
	<u>207,171,962</u>	<u>26,794,025</u>	<u>66,528,559</u>	<u>146,621,026</u>	<u>447,115,572</u>

	December 31, 2018				
	No Maturity	Less than 3 Months	3-12 Months	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	26,640,820	19,118,209	-	-	45,759,029
Dividends payable	59,513,187	-	-	-	59,513,187
Deferred revenues and other liabilities	-	-	-	-	-
Term bank loans	-	40,593,394	120,608,288	253,501,205	414,702,887
Non-financial liabilities	106,169,496	-	-	-	106,169,496
	<u>251,461,903</u>	<u>60,790,673</u>	<u>184,960,602</u>	<u>253,501,205</u>	<u>750,714,383</u>

32. OPERATING SEGMENTS

For management purposes, the Company 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 financial statements.

	December 31, 2019		
	Real Estate Sales	Real Estate Rental and Rendered Services	Total
	US\$	US\$	US\$
Total assets	<u>1,534,540,202</u>	<u>594,045,716</u>	<u>2,128,585,918</u>
Total liabilities	<u>298,584,327</u>	<u>115,586,897</u>	<u>414,171,224</u>

	December 31, 2018		
	Real Estate Sales	Real Estate Rental and Rendered Services	Total
	US\$	US\$	US\$
Total assets	<u>1,731,428,583</u>	<u>614,912,548</u>	<u>2,346,341,131</u>
Total liabilities	<u>512,926,595</u>	<u>182,164,602</u>	<u>695,091,197</u>

2019

	Real Estate Sales	Real Estate Rental and Rendered Services	Unallocated	Total
	US\$	US\$	US\$	US\$
Revenues	234,450,600	58,385,466	-	292,836,066
Cost of revenues	(110,819,184)	(26,156,759)	-	(136,975,943)
Gain on sale of investment properties	-	3,803,963	-	3,803,963
Net revenues from operations	123,631,416	36,032,670	-	159,664,086
General and administrative expenses	(19,733,586)	(2,192,621)	-	(21,926,207)
Depreciation of fixed assets	(2,132,254)	(236,917)	-	(2,369,171)
Provision for impairment	(3,730,675)	(6,698,489)	(7,500,000)	(17,929,164)
Loss from rescheduled receivables	(2,872,237)	-	-	(2,872,237)
Write-off of receivables	-	(606,254)	-	(606,254)
Write-off of real estate development projects cost	(15,674,129)	-	-	(15,674,129)
Provision for contingencies	(1,235,000)	-	-	(1,235,000)
Other expense	(1,050,568)	-	-	(1,050,568)
Other income	-	2,965,583	-	2,965,583
Taxes, fees and stamps	(710,565)	-	-	(710,565)
Interest income	1,423,444	-	-	1,423,444
Interest expense	(19,910,003)	-	-	(19,910,003)
Loss on exchange	(19,681)	-	-	(19,681)
Profit/(loss) before tax	57,986,162	29,263,972	(7,500,000)	79,750,134
Income tax expense	(16,570,374)	-	-	(16,570,374)
Profit/(loss) for the year	<u>41,415,788</u>	<u>29,263,972</u>	<u>(7,500,000)</u>	<u>63,179,760</u>

2018

	Real Estate Sales	Real Estate Rental and Rendered Services	Unallocated	Total
	US\$	US\$	US\$	US\$
Revenues	1,274,550	63,603,408	-	64,877,958
Cost of revenues	(726,020)	(29,246,326)	-	(29,972,346)
Gain on sale of investment properties	-	287,141	-	287,141
Net revenues from operations	548,530	34,644,223	-	35,192,753
General and administrative expenses	(26,723,188)	(2,969,243)	-	(29,692,431)
Depreciation of fixed assets	(2,459,692)	(273,299)	-	(2,732,991)
Provision for impairment	(45,535,091)	(187,240)	-	(45,722,331)
Loss from rescheduled receivables	(2,213,291)	-	-	(2,213,291)
Write-off of receivables	(32,949,138)	(713,359)	-	(33,662,497)
Provision for contingencies	(8,304,000)	-	-	(8,304,000)
Other expense	(2,054,091)	-	-	(2,054,091)
Other income	-	2,303,749	-	2,303,749
Taxes, fees and stamps	(445,456)	-	-	(445,456)
Interest income	7,108,271	-	-	7,108,271
Interest expense	(33,644,502)	-	-	(33,644,502)
Loss on exchange	(79,372)	-	-	(79,372)
(Loss)/profit before tax	(146,751,020)	32,804,831	-	(113,946,189)
Income tax benefit	1,900,966	-	-	1,900,966
(Loss)/profit for the year	<u>(144,850,054)</u>	<u>32,804,831</u>	<u>-</u>	<u>(112,045,223)</u>

33. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

	December 31,	
	2019	2018
<u>ASSETS</u>	US\$	US\$
<u>Current Assets</u>		
Cash and banks balances	11,647,328	22,906,000
Prepayments and other debit balances - Current portion	13,028,231	48,464,198
Accounts and notes receivables, net - Current portion	86,395,798	65,628,836
Investment in assets-backed securities - Current portion	4,337,877	3,450,818
Total Current Assets	115,409,234	140,449,852
<u>Non-Current Assets</u>		
Prepayments and other debit balances - Non-current portion	4,868,867	4,921,079
Accounts and notes receivables, net - Non-current portion	43,540,470	80,947,792
Investments in assets-backed securities - Non-current portion	4,361,830	16,248,559
Inventory of land and projects in progress	1,110,571,090	1,204,900,740
Investment properties, net	565,177,583	584,461,261
Investment in joint ventures, subsidiaries and associates	239,594,414	265,909,111
Fixed assets, net	45,062,430	48,502,737
Total Non-Current Assets	2,013,176,684	2,205,891,279
TOTAL ASSETS	2,128,585,918	2,346,341,131
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Bank overdrafts and short term facilities	48,958,855	122,051,954
Accounts payable and other liabilities - Current portion	81,276,053	84,779,243
Dividends payable	59,014,963	59,513,187
Deferred revenue and other credit balances - Current portion	33,813,992	19,902,467
Term bank loans - Current portion	25,750,000	138,750,000
Total Current Liabilities	248,813,863	424,996,851
<u>Non-Current Liabilities</u>		
Accounts payable and other liabilities - Non-current portion	24,876,063	36,496,815
Deferred revenue and other credit balances - Non-current portion	10,750,000	10,750,000
Term bank loans - Non-current portion	129,731,298	222,847,531
Total Non-Current Liabilities	165,357,361	270,094,346
TOTAL LIABILITIES	414,171,224	695,091,197
<u>EQUITY</u>		
Issued capital at par value US\$10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	1,650,000,000	1,650,000,000
Legal reserve	169,554,373	169,554,373
Accumulated losses	(105,124,679)	(168,304,439)
Less: Treasury shares	(15,000)	-
Total Equity	1,714,414,694	1,651,249,934
TOTAL LIABILITIES AND EQUITY	2,128,585,918	2,346,341,131

34. FAIR VALUE MEASUREMENT

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

Notes	Carrying Amount US\$	December 31, 2019			Total US\$	
		Fair Value				
		Level 1 US\$	Level 2 US\$	Level 3 US\$		
Financial Assets measured at:						
<i>Amortized cost</i>						
Cash and bank balances	5	11,647,328	916,105	10,731,223	-	11,647,328
Other debit balances	6	9,299,638	-	-	9,299,638	9,299,638
Accounts and notes receivable	7	129,936,268	-	-	129,936,268	129,936,268
Investment in asset-backed securities (includes reserve accounts and deferred charges)	7&8	30,757,724	-	31,352,469	-	31,352,469
		<u>184,840,958</u>	<u>916,105</u>	<u>42,083,692</u>	<u>142,435,906</u>	<u>185,435,703</u>
Financial Liabilities measured at:						
<i>Amortized cost</i>						
Bank overdrafts and short term facilities	13	48,958,855	-	48,958,855	-	48,958,855
Accounts payable and other liabilities	14	47,998,327	-	-	47,998,327	47,998,327
Dividends payable	15	59,014,963	-	-	59,014,963	59,014,963
Term bank loans	17	155,481,298	-	156,123,614	-	156,123,614
		<u>311,453,443</u>	<u>-</u>	<u>205,082,469</u>	<u>107,013,290</u>	<u>312,095,759</u>
Non-financial Asset measured at:						
<i>Amortized cost</i>						
Investment properties*	10	565,177,583	-	1,212,420,246	-	1,212,420,246
		<u>565,177,583</u>	<u>-</u>	<u>1,212,420,246</u>	<u>-</u>	<u>1,212,420,246</u>

	Notes	December 31, 2018				
		Carrying Amount US\$	Fair Value			Total US\$
			Level 1 US\$	Level 2 US\$	Level 3 US\$	
Financial Assets measured at:						
<i>Amortized cost</i>						
Cash and bank balances	5	22,906,000	13,242,648	9,663,352	-	22,906,000
Other debit balances	6	38,220,837	-	-	38,220,837	38,220,837
Accounts and notes receivable	7	146,576,628	-	-	146,576,628	146,576,628
Investment in asset-backed securities	7 & 8	39,157,394	-	44,074,273	-	44,074,273
		<u>246,860,859</u>	<u>13,242,648</u>	<u>53,737,625</u>	<u>184,797,465</u>	<u>251,777,738</u>
Financial Liabilities measured at:						
<i>Amortized cost</i>						
Bank overdrafts and short term facilities	13	122,051,954	-	122,051,954	-	122,051,954
Accounts payable and other liabilities	14	45,759,029	-	-	45,759,029	45,759,029
Dividends payable	15	59,513,187	-	-	59,513,187	59,513,187
Term bank loans	17	361,597,531	-	363,604,533	-	363,604,533
		<u>588,921,701</u>	<u>-</u>	<u>485,656,487</u>	<u>105,272,216</u>	<u>590,928,703</u>
Non-financial Assets measured at:						
<i>Amortized cost</i>						
Investment properties	10	584,461,261	-	1,208,036,673	-	1,208,036,673
		<u>584,461,261</u>	<u>-</u>	<u>1,208,036,673</u>	<u>-</u>	<u>1,208,036,673</u>

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.

35. SUBSEQUENT EVENTS

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact.

The extent and duration of such impact remains uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact the Company's future financial results, cash flows and financial condition.

36. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements for the year ended December 31, 2019 on June 17, 2020.