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

SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2022

Deloitte

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

Adverse opinion

We have audited the 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 31 December 2022, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the "Basis for adverse opinion" section of our report, the accompanying separate financial statements do not present fairly the separate financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for adverse opinion

1. As explained in note 2.2 to the separate financial statements, the Company's functional currency is the Lebanese Lira which is the currency of a hyperinflationary economy and management has not applied the requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the preparation of the Company's separate financial statements in functional currency for the year ended 31 December 2022 nor did management consider its effect on forecasts and discount rates used in accounting estimates before translation to the presentation currency. This is not in accordance with IFRSs. Had the Company applied the requirements of IAS 29, many elements and disclosures in the accompanying separate financial statements, including the comparative financial information for the year ended 31 December 2021, would have been materially different. The effects on the separate financial statements arising from this departure have not been determined. Our opinion in the prior year was also modified in respect of this matter.

2. As disclosed in note 2.1 to the separate financial statements, the Company translated its assets and liabilities, denominated in foreign currencies, as at 31 December 2022 and all transactions in foreign currencies that occurred during the year then ended, using the official published exchange rates. In addition, the Company's separate financial statements are translated from the functional currency to the presentation currency at the same official published exchange rates. However, other exchange rates were introduced through legal exchange mechanisms, and several exchange rates became available, depending on the source and nature of the operation or balance. As stated in IAS 21 "The Effects of Changes in Foreign Exchange Rates", when several exchange rates are available, the rate to be used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Management did not use the rate at which the future cash flows would have been expected to be settled. This is not in accordance with IFRSs. Had the Company used the rate at which the future cashflows would have been expected to be settled, many accounts and disclosures in the separate financial statements including the comparative information would have been materially different. The effects on the separate financial statements of the departure from IAS 21 and the uncertainties relating to the appropriate exchange rates have not been determined. Our opinion in the prior year was also modified in respect of this matter.

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Basis for adverse opinion (continued)

3. Gain on foreign exchange, net is reported in the separate statement of comprehensive income at US$ 25.2million (2021: loss on foreign exchange, net of US$ 23.1million). We were unable to obtain sufficient appropriate audit evidence about gain on foreign exchange, net because we could not inspect documentation relating to this amount. Consequently, we were unable to determine whether any adjustments to this amount were necessary. Our opinion in the prior year was also modified in respect of this matter.

4. Cash and bank balances, which are carried in the separate statement of financial position at US$ 40.5million (2021: US$ 86.8million), include balances deposited with banks in Lebanon which are carried at US$ 15.3million (2021: US$ 43.3million). Management has not stated balances deposited with banks in Lebanon after taking into account the uncertainties disclosed in note 2 of the separate financial statements, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.

5. Investments in joint ventures, subsidiaries and associates which are carried in the statement of financial position at US$ 235.3million (2021: US$ 235.3million) include a long-term loan to a joint venture of US$ 22.1million (2021: US$22.1million) net of allowance for expected credit losses of US$14.5million (2021: US$14.5million). Management has not stated long term loan to a joint venture after taking into account the full impact of the economic crisis in Lebanon, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.

6. Investment properties are carried in the separate statement of financial position at US$ 608.8million, for which there is an indication of impairment at the reporting date. Management did not perform an estimate of the recoverable amount of investment properties to determine whether any impairment loss has occurred and should have been recorded which constitutes a departure from IFRSs. We were unable to determine whether any adjustments were necessary to this amount.

7. Inventory of land and projects in progress are carried in the separate statement of financial position at US$ 857.6million. Management has stated inventory of land and projects in progress inclusive of maintenance and other expenses, which constitutes a departure from IRFSs. The Company's records indicate that had management not stated inventory of land and projects in progress inclusive of maintenance and other expenses, an amount of US$ 5.8million would have been required to reduce inventory of land and projects in progress. Accordingly general and administrative expenses would have been increased by US$ 5.8million, the net loss for the year would have been increased by US$ 5.8million and total equity would have been reduced by US$ 5.8million.

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 adverse opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the year ended 31 December 2022. Except for the matters described in the "Basis for adverse opinion" section of our report, we have determined that there are no other key audit matters to communicate in our report.

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.

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Auditor's responsibilities for the audit of the separate financial statements (continued)

- 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, actions taken to eliminate threats or safeguards applied.

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 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.

Beirut, Lebanon
14 December 2023

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	*2022* *US$*	*2021* *US$*
Revenues from land sales		**29,598,477**	85,209,200
Revenues from rented properties		**31,427,727**	21,276,443
Revenues from rendered services	4	**3,837,661**	4,349,327
Total revenues		**64,863,865**	110,834,970
Cost of land sales	16	**(11,502,400)**	(41,247,703)
Depreciation of and charges on rented properties	5	**(42,613,571)**	(38,136,527)
Cost of rendered services	6	**(5,866,817)**	(4,425,112)
Total cost of revenues		**(59,982,788)**	**(83,809,342)**
Gain on sale and disposal of investment properties, net	17	**1,025,941**	441,764
Net revenues from operations		**5,907,018**	27,467,392
General and administrative expenses	7	**(40,691,342)**	(32,391,976)
Selling expenses		**(127,204)**	(963,139)
Depreciation of property and equipment	19	**(2,031,856)**	(2,289,545)
Provision for impairment, net	8	-	(282,050)
Loss on rescheduled receivables		-	(119,898)
Write-off of receivables	13	**(1,054,129)**	(1,670,054)
Write-off of payables	20 (b)	-	3,241,785
Other expense		**(581,835)**	(581,279)
Other income	9	**2,261,578**	10,852,296
Interest income	10	**427,328**	903,293
Bank commissions and charges		**(430,705)**	(814,671)
Dividend income	26	-	80,528
Gain (loss) on foreign exchange, net		**25,191,940**	(23,141,325)
LOSS FOR THE YEAR BEFORE TAX		**(11,129,207)**	(19,708,643)
Income tax expense	20 (d)	-	(1,827,500)
LOSS FOR THE YEAR		**(11,129,207)**	(21,536,143)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(11,129,207)**	(21,536,143)
BASIC AND DILUTED LOSS PER SHARE	11	**(0.069)**	(0.134)

The attached notes 1 to 33 form part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022 US$*	*2021 US$*
ASSETS			
Cash and bank balances	12	**40,479,184**	86,752,644
Accounts and notes receivable, net	13	**1,028,029**	12,692,689
Prepayments and other debit balances	14	**15,184,167**	15,781,464
Financial assets at amortized cost	15	**21,703,678**	-
Inventory of land and projects in progress	16	**857,568,133**	853,174,590
Investment properties, net	17	**608,846,262**	609,591,676
Investments in joint ventures, subsidiaries and associates	18	**235,250,104**	235,250,104
Property and equipment, net	19	**38,762,309**	42,963,406
TOTAL ASSETS		**1,818,821,866**	1,856,206,573
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other liabilities	20	**84,068,476**	86,411,792
Dividends payable	21	**57,352,316**	57,749,890
Deferred revenues	22	**50,330,007**	72,456,271
Total liabilities		**191,750,799**	216,617,953
Equity			
Issued capital at par value US$ 10 per share:			
100,000,000 class (A) shares	23	**1,000,000,000**	1,000,000,000
65,000,000 class (B) shares	23	**650,000,000**	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	24	**169,554,373**	169,554,373
Accumulated losses		**(117,067,004)**	(105,937,797)
Less: treasury shares	23	**(75,416,302)**	(74,027,956)
Total equity		**1,627,071,067**	1,639,588,620
TOTAL LIABILITIES AND EQUITY		**1,818,821,866**	1,856,206,573

The attached notes 1 to 33 form part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital *US$*	*Legal reserve* *US$*	*Accumulated losses* *US$*	*Treasury shares* *US$*	*Total* *US$*
Balance at 1 January 2021	1,650,000,000	169,554,373	(84,401,654)	(29,789,788)	1,705,362,931
Total comprehensive loss for the year 2021	-	-	(21,536,143)	-	(21,536,143)
Treasury shares purchase (note 23)	-	-	-	(44,238,168)	(44,238,168)
Balance at 31 December 2021	1,650,000,000	169,554,373	(105,937,797)	(74,027,956)	1,639,588,620
Total comprehensive loss for the year 2022	-	-	(11,129,207)	-	(11,129,207)
Treasury shares purchase (note 23)	-	-	-	(1,388,346)	(1,388,346)
Balance at 31 December 2022	**1,650,000,000**	**169,554,373**	**(117,067,004)**	**(75,416,302)**	**1,627,071,067**

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

SEPARATE STATEMENT OF CASH FLOW
For the year ended 31 December 2022

	Notes	2022 US$	2021 US$
OPERATING ACTIVITIES			
Loss for the year before tax		**(11,129,207)**	(19,708,643)
Adjustments for:			
Depreciation	25(a)	**17,120,822**	16,437,325
Gain on sale and disposal of investment properties, net	17	**(1,025,941)**	(441,764)
Gain on sale of property and equipment		-	(63,689)
Provision for end-of-service indemnity and other charges, net	20(c)	**1,379,453**	101,241
Provision for impairment	8	-	282,050
Loss on rescheduled receivables		-	119,898
Write-off of receivables	13(a)	**1,054,129**	1,670,054
Write-off of payables		-	(3,241,785)
Dividend income	26	-	(80,528)
Interest income	10	**(427,328)**	(903,293)
		6,971,928	(5,829,134)
Changes in working capital:			
Prepayments and other debit balances	25(c)	**831,288**	(2,847,825)
Accounts and notes receivable	25(c)	**(3,978,828)**	34,272,950
Inventory of land and projects in progress	25(c)	**4,998,457**	33,931,857
Accounts payable and other liabilities	25(c)	**(6,165,977)**	(5,187,549)
Deferred revenues		**(22,126,264)**	(13,256,207)
Cash (used in) from operating activities		**(19,469,396)**	41,084,092
Settlements of end-of-service indemnity and other charges	20(c)	**(48,082)**	(173,271)
Taxes paid	20(d)	-	(99,793)
Net cash used in operating activities		**(19,517,478)**	40,811,028
INVESTING ACTIVITIES			
Acquisition of property and equipment	19, 25(c)	**(725,048)**	(2,866,662)
Acquisition of investment properties	17, 25(c)	**(13,573,322)**	(34,965,244)
Proceeds from disposal investment properties	17	**3,150,000**	2,855,600
Proceeds from sale of property and equipment	19	-	63,689
Financial assets at amortized cost	15	**(21,703,678)**	-
Investments in joint ventures, subsidiaries and associates		-	9,000
Investment in asset-backed securities		-	10,575,521
Interest received		**193,280**	903,293
Net cash used in investing activities		**(32,658,768)**	(23,424,803)
FINANCING ACTIVITIES			
Dividends paid		**(397,574)**	(243,468)
Interest paid		-	(1,388,561)
Treasury shares purchase		**(1,388,346)**	(44,238,168)
Net cash used in financing activities		**(1,785,920)**	(45,870,197)
DECREASE IN CASH AND CASH EQUIVALENTS		(53,962,166)	(28,483,972)
Cash and cash equivalents at 1 January	25(b)	**95,559,839**	124,043,811
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25(b)	**41,597,673**	95,559,839

The attached notes 1 to 33 form part of these separate financial statements.

1 CORPORATE INFORMATION

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 5 May 1994 based on Law No. 117/91 and was registered on 10 May 1994 under Commercial Registration No. 67000. The articles of incorporation of the Company were approved by Decree No. 2537 dated 22 July 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 5 May 1994.

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Operating environment of the Company

Lebanon has been witnessing, since 17 October 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis and as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on 7 March 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds.

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

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

As a result of the unofficial capital controls, the multitude of exchange rates, the hyperinflation, and the potential repercussions of government reform measures on (i) the banks operating in Lebanon, and (ii) the Lebanese people's net worth, their local businesses and their local bank accounts, the Lebanese market saw the need to differentiate between onshore assets and offshore assets, foreign currency bank accounts that are subject to unofficial capital controls and those that are not subject to capital controls, onshore liabilities and offshore liabilities. The need to differentiate is mostly due to the difference in the perceived real economic value.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Operating environment of the Company (continued)

The need to differentiate is mostly due to the difference in the perceived real economic value. Hence the new terms in the Lebanese market, such as "local Dollars" to designate local US Dollars bank accounts that are subject to unofficial capital controls, and "fresh funds" to designate foreign currency cash and foreign currency bank accounts which are free from capital controls (as they are sourced from foreign currency cash and/or from incoming transfers from abroad).

Lebanese Government's Financial Recovery Plan

Lebanon's government foresees cancelling "a large part" of the central bank's foreign currency obligations to commercial banks and dissolving non-viable banks. It includes several measures that are prerequisites to unlock funds from a preliminary deal with the International Monetary Fund that could help pull the country out of a three-year financial meltdown.

International Monetary Fund (IMF)

On 7 April 2022, the IMF concluded a two-week mission to Beirut with an announcement of a staff level agreement for a US$ 3 billion, 46-month Extended Fund Facility (EFF). This agreement is subject to approval by IMF management and the Executive Board. Timely implementation of all prior actions and confirmation of international partners' financial support is required before formal approval by the Executive Board. Prior actions include: (i) cabinet/parliamentary approval of a bank restructuring strategy and enabling legislation, in conjunction with an audit of the 14 largest banks; (ii) parliamentary approval of a reformed bank secrecy law; (iii) completion of the Central Bank of Lebanon's audit; (iv) a restructuring of the outstanding commercial debt (including the Eurobonds); (v) parliamentary approval of the 2022 budget; and (vi) Unification by the Central Bank of Lebanon of the exchange rates for authorized current account transactions.

The implementation of the prior actions is further complicated by the upcoming political agenda, with parliamentary elections performed in May and presidential elections that was due before the end of October.

Foreign exchange rates for the Lebanese Lira

Several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official one: parallel exchange markets and the Sayrafa rate that are highly volatile, the Platform Rate, in addition to different exchange rates adopted for commercial transactions purposes in Lebanon.

- Basic Circular # 151 of the Central Bank of Lebanon "*Exceptional Measures Concerning Cash Withdrawals from Foreign Currency Bank Accounts*"
  On 21 April 2020 the Central Bank of Lebanon issued Basic Circular 151 concerning depositors who wish to withdraw amounts of cash from their "local" foreign currencies accounts as per the Platform Rate up to limits set by their bank. The limits set by the banks in Lebanon had monthly averages of US$ 3,000 per bank account. The "Platform Rate" was 1 US$ / LL 3,900 throughout the period from the issuance of the circular and up to December 2021. During December 2021, it was increased to 1 US$ / LL 8,000. Starting 1 February 2023, the "Platform Rate" was increased to 1 US$ / LL 15,000 and the limits set by the banks in Lebanon decreased to monthly averages of US$ 1,600 per bank account.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Operating environment of the Company (continued)

Foreign exchange rates for the Lebanese Lira (continued)

	2022		2021	
	Rate as at 31 December LL	*Average rate for the year ended 31 December LL*	*Rate as at 31 December LL*	*Average rate for the period from 10 May to 31 December LL*
US Dollar	**38,000**	**25,907**	22,700	16,266

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

- Basic Circular of the Central Bank of Lebanon # 158 "*Exceptional Measures for the Gradual Withdrawal of Deposits in Foreign Currencies*"
  On 8 June 2021, the Central Bank of Lebanon issued Basic Circular 158 defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to US$ 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met. Customers' monthly entitlements are (i) an amount of US$ 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) and (ii) an amount in LL equivalent to US$ 400 and converted at a rate US$/LL 12,000, noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. Starting 1 February 2023, the rate increased to US$/LL 15,000. On 5 July 2023, the circular was amended to US$ 300 for all BDL 158-based contracts signed with the customers after 1 July 2023 following the issuance of BDL intermediate circular 674.

- On 9 January 2023 the Ministry of Finance issued decision No.2 regarding the application of article 35 of the government Budget Law 2022 No. 10 dated 15 November 2022 in connection with the conversion into LL of salaries paid in foreign currencies for the purpose of calculating payroll tax during the year 2022:
  - For amounts paid in fresh funds in foreign currency: Apply a reference rate of LL 8,000/US$ for amounts paid during the period ending 15 November 2022 and a reference rate of LL15,000/US$ for amounts paid after November 15, 2022.
  - Apply a reference rate of LL 8,000/US$ for amounts paid in restricted (onshore) funds in foreign currency up to US$3,000.
  - Apply a reference rate of LL 1,507.5/US$ for amounts paid in restricted (onshore) funds in foreign currency that are in excess of US$ 3,000.

Accordingly, translation of all assets and liabilities and foreign currency transactions at the official exchange rate does not always represent a reasonable estimate of expected cash flows in Lebanese Lira that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the transaction or at the date of the separate financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Operating environment of the Company (continued)

The Company's Financial particulars

Transactions and balances in foreign currencies

The Company has applied the official published exchange rates below, in converting monetary assets and liabilities in foreign currency and transactions in foreign currency, regardless of whether they are onshore or offshore, to the Company's functional currency. The same rates have been applied in retranslating assets, liabilities and transactions to the US$ used in presenting these separate financial statements.

	2022		*2021*	
	Rate as at 31 December LL	***Average rate for the year ended 31 December LL***	*Rate as at 31 December LL*	*Average rate for the year ended 31 December LL*
US Dollar	**1,507.50**	**1,507.50**	1,507.50	1,507.50
Euro	**1,603.83**	**1,594.38**	1,701.52	1,786.92

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis. Subsequent to period end, on 1 February 2023, the official exchanged rate increased to US$/LL 15,000 as published by the Central Bank of Lebanon.

The existence of multiple foreign exchange rates as well as the accessibility to such rates, necessitates the review of the appropriate exchange rates that entities should use in accounting for and reporting their foreign currency transactions. The judgment of which foreign exchange (FX) rate to use depends on the official FX rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. This should take into account the specific facts and circumstances relating to each transaction or balance.

In the light of uncertainties, management did not determine the rates at which future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Company has applied the official exchange rate of US$ 1 = LL1,507.5.for transactions and balances in foreign currencies.

As the official exchange rate significantly deviates from the exchange rates on the Sayrafa Platform and the parallel markets, this does not represent a reasonable estimate of expected cash flows that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the transaction or of the financial statements. The valuation of the Company's assets and liabilities in foreign currencies at a different rate is expected to significantly impact the Company's separate financial statements once the regulatory authorities adopt a new exchange rate policy, or upon any revision of management judgement of which foreign exchange rate to use.

It remains unclear how this will evolve, and the Company continues to monitor the situation closely. Any and all such events mentioned above will add up to the already material adverse prospects on the Company's business, financial condition, results of operations, prospects, liquidity and capital position.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of preparation

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

The separate financial statements are presented in US Dollars being the currency of the Company's capital in accordance with Decree 2537 and accordingly, represents the Company's reporting currency. The Company's functional currency is the Lebanese Lira.

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.

Certain prior year information are reclassified to conform with current year presentation.

Hyperinflation in Lebanon

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 31.

As at 31 December 2022 and 2021, all conditions have been met for the Company's separate financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analyzing the behavior of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 1,670% and 122%, respectively, as at 31 December 2022 (2021: 753% and 224% respectively). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020.

Therefore, entities whose functional currency is the Lebanese Lira, should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatement shall be made as if the Lebanese economy has always been hyperinflationary; using a general price index that reflects the changes in the currency's purchasing power.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

The effects of the application of IAS 29 are summarised below:

(a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.

(b) In summary, the restatement method under IAS 29 is as follows:

   (i) Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income/loss for the period for which it is reported.

   (ii) Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.

   (iii) Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortisation charges of intangible assets recognised in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.

   (iv) Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately, and compare them again, but with the restated amounts.

   (v) At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior-year comparatives are restated in terms of the measuring unit current at the end of the current reporting period, the equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

As of the date of the accompanying separate financial statements, Management is temporarily unable to apply the above-mentioned standard, nor is it able to quantify the effect that the application of IAS 29 would have on the presented separate financial statements due to the following considerations: the significant divergence in exchange rates, the lack of consensus on the general price index and the lack of views of relevant regulators, including tax authorities. However, management estimates such effects to be significant.

This situation must be taken into account when interpreting the information reported by the Company in the accompanying separate financial statements including its separate statement of financial position, separate statement of comprehensive income and separate cash flow statement.

The Company is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Company to develop new accounting software and processes, internal controls and governance framework. Accordingly, the Company has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Company is comfortable that such application would provide the users with more relevant information.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies

New and amended standards and interpretations
The accounting policies adopted in the preparation of the separate financial statements are consistent with those used in the previous year, except for the adoption of the amendment and improvements to standards effective as of 1 January 2022:

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*
- *Reference to the Conceptual Framework – Amendments to IFRS 3*
- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases*
- *Amendments to IFRS 16 Covid-19 Related Rent Concessions*
- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*
- *IFRS 9 Financial Instruments – Fees in the "10 percent" test for derecognition of financial liabilities*
- *IAS 41 Agriculture – Taxation in fair value measurements*

The adoption of the above new amendments and improvements to standards did not have a material impact on the separate financial position or performance of the Company.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's separate financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- *IFRS 17 Insurance Contracts*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
- *Definition of Accounting Estimates – Amendments to IAS 8*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

The Company does not expect these amendments to have a material impact on the Company's separate financial statements.

2.4 Significant accounting policies

Foreign currencies
The functional currency of the Company is the Lebanese Lira whereas the presentation currency is the US Dollars. Transactions denominated in other currencies are translated into Lebanese Lira at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities stated in currencies other than the Lebanese Lira 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 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.

Also, when an entity's functional currency is the currency of a hyperinflationary economy, the entity shall restate its financial statements in accordance with IAS 29 before applying the translation method set out in paragraph 42, except for comparative amounts that are translated into a currency of a non-hyperinflationary economy. When the economy ceases to be hyperinflationary and the entity no longer restates its financial statements in accordance with IAS 29, it shall use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date the entity ceased restating its financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

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 Company'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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)
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.

(i) 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
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

Financial instruments (continued)

(i) Derecognition (continued)

Financial Liabilities (continued)
All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

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.

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 2.4

Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing and selling.

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 comprehensive income as the expense is incurred.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

Investment properties (continued)
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.

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.

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.

Property and equipment
Property and equipment 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 property and equipments 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 property and equipment. All other expenditure is recognized in the separate statement of comprehensive income as the expense is incurred.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

Impairment of tangible assets

At each statement of financial position date, the carrying amounts of tangible assets (investment properties, property and equipments 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 comprehensive income.

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.

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. Amounts are released to revenue as and when the above conditions are fulfilled.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

Revenue recognition (continued)
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 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.

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.

Cash and cash equivalents
For the purpose of the separate 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.

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 comprehensive income in the period in which they are incurred.

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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

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 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.

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 comprehensive income are recognized directly in comprehensive income.

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.

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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the accounting policies described in note 2.4, 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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

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 investments 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 comprehensive income.

Estimation of net realizable value for inventory of property
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 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.

4 REVENUES FROM RENDERED SERVICES

	2022 *US$*	*2021* *US$*
Broadband network revenues	**3,837,661**	4,349,327

5 DEPRECIATION OF AND CHARGES ON RENTED PROPERTIES

	2022 *US$*	*2021* *US$*
Manpower	**18,141,990**	9,655,705
Depreciation expense (note 17)	**15,088,966**	14,147,780
Electricity, maintenance and other charges	**11,749,463**	13,545,735
Taxes	**246,659**	390,719
Advertising	**23,393**	83,029
Charges from tenants	**(2,636,900)**	313,559
	42,613,571	38,136,527

Manpower includes reallocated salaries, benefits and related charges in the aggregate amount of US$ 1,799,767 during the year ended 31 December 2022 (2021: US$ 5,464,864) (note 7).

6 COST OF RENDERED SERVICES

	2022 US$	2021 US$
Broadband network cost of services rendered	**5,866,817**	4,425,112

Broadband network cost of services rendered includes reallocated salaries, benefits and related charges in the aggregate amount of US$ 1,181,953 during the year ended 31 December 2022 (2021: US$ 1,108,576) (note 7).

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 US$	2021 US$
Salaries, benefits and related charges	**25,257,125**	21,307,259
Utilities, office, maintenance and other similar expenses	**7,389,077**	4,059,753
Termination	**2,751,452**	3,552,929
Professional services	**1,844,032**	1,437,701
Donations and contributions	**358,250**	848,578
Taxes, fees and stamps	**901,859**	501,196
Promotion and advertising	**400,472**	165,877
Board of directors' remuneration	**165,000**	157,500
Travel and accommodation	**30,723**	39,248
Other expenses	**1,593,352**	321,935
	40,691,342	**32,391,976**

The Company reallocated salaries, benefits and related charges and administrative expenses as follows:

	2022 US$	2021 US$
Charges on rented properties (note 5)	**1,799,767**	5,464,864
Construction cost (note 16)	**88,345**	2,570,754
Cost of rendered services (note 6)	**1,181,953**	1,108,576
	3,070,065	9,144,194

8 PROVISION FOR IMPAIRMENT, NET

	2022 US$	2021 US$
Allowance for expected credit losses on accounts and notes receivable (note 13)	**7,688,706**	-
Write-back of allowance for expected credit losses on bank balances (note 12)	**(7,688,706)**	-
Allowance for expected credit losses on BCD Cinemas and BWD receivable (note 14 (b))	-	282,050
	-	282,050

9 OTHER INCOME

	2022 US$	2021 US$
Insurance claim reimbursement	2,129,853	-
Income from events and activities	99,239	30,400
Gain on sale of property and equipment	32,473	63,689
Recognition of unrealized gain on sale (note 18 (a))	-	10,750,000
Other	13	8,207
	2,261,578	10,852,296

10 INTEREST INCOME

	2022 US$	2021 US$
Interest income from banks	283,205	17,850
Interest income from financial assets at amortized costs	144,123	-
Interest income from previously doubtful notes and accounts receivable	-	885,443
	427,328	903,293

11 BASIC AND DILUTED LOSS PER SHARE

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

The following table shows the net loss for the year and share data used to calculate loss per share:

	2022 US$	2021 US$
Net loss for the year	**(11,129,207)**	(21,536,143)
Weighted average number of shares	**161,192,243**	161,223,833
Basic and diluted loss per share	**(0.069)**	(0.134)

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

12 CASH AND BANK BALANCES

	2022 US$	2021 US$
Cash on hand (a)	**5,698,642**	1,632,438
Checks for collection	**8,774**	771,863
Current accounts	**19,387,313**	81,402,568
Short term deposits (b)	**16,502,944**	11,752,970
	41,597,673	95,559,839
Less: allowance for expected credit losses (c)	**(1,118,489)**	(8,807,195)
	40,479,184	86,752,644

(a) Cash on hand is denominated as follows:

	2022 US$	2021 US$
Lebanese Liras	**4,251,368**	96,401
US Dollars	**1,447,030**	1,535,642
Euro	**244**	395
	5,698,642	1,632,438

(b) Short term deposits mature within three months (2021: the same). The average yield on the term deposits for the year ended 31 December 2022 was approximately 3.29% (2021: 0.13%).

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

	2022 US$	2021 US$
Balance at 1 January	**8,807,195**	12,595,707
Written-back during the year (note 8)	**(7,688,706)**	-
Reallocation of provisions provided in prior years	**-**	(3,788,512)
Balance at 31 December	**1,118,489**	8,807,195

Net exposure on bank balances as at 31 December 2022 and 2021 is detailed as follows:

	2022 Local banks US$	2022 Foreign banks US$	2022 Total US$	2021 Local banks US$	2021 Foreign banks US$	2021 Total US$
Current accounts	**16,441,253**	**2,946,060**	**19,387,313**	51,887,289	29,515,279	81,402,568
Short term deposits	**2,944**	**16,500,000**	**16,502,944**	252,970	11,500,000	11,752,970
	16,444,197	**19,446,060**	**35,890,257**	52,140,259	41,015,279	93,155,538
Less: allowance for expected credit losses	**(1,118,489)**	**-**	**(1,118,489)**	(8,807,195)	-	(8,807,195)
	15,325,708	**19,446,060**	**34,771,768**	43,333,064	41,015,279	84,348,343

12 CASH AND BANK BALANCES (continued)

Local bank balances as at 31 December 2022 and 2021 are denominated as follows:

	2022			*2021*		
	Current accounts US$	*Short term deposits US$*	*Total US$*	*Current accounts US$*	*Short term deposits US$*	*Total US$*
US Dollars	12,851,584	2,944	12,854,528	51,050,846	252,970	51,303,816
Lebanese Liras	3,574,751	-	3,574,751	818,703	-	818,703
GBP	12,616	-	12,616	14,117	-	14,117
Euro	2,302	-	2,302	3,623	-	3,623
	16,441,253	2,944	16,444,197	51,887,289	252,970	52,140,259

Local bank balances include an amount of US$ 12,339,045 (2021: US$ 50,479,408) subject to the de-facto capital control as disclosed in note 2.1.

13 ACCOUNTS AND NOTES RECEIVABLE, NET

	2022 US$	*2021 US$*
Notes receivable (a)	**9,169,188**	53,990,769
Accounts receivable (a)	**5,196,668**	16,320,860
Less: unearned interest	**(2,126,170)**	(7,040,221)
Less: allowance for impairment on notes and accounts receivable (b)	**(11,289,266)**	(50,938,239)
	950,420	12,333,169
Receivables from tenants (a)	**56,966,377**	48,793,211
Less: allowance for impairment on receivable from tenants (b)	**(56,888,768)**	(48,433,691)
	77,609	359,520
	1,028,029	12,692,689

(a) Receivables are mainly distributed as follows as at 31 December 2022 and 2021:

	31 December 2022			
	Doubtful balances US$	***Overdue but not impaired US$***	***Not yet due US$***	***Total US$***
Notes receivable	**9,169,188**	**-**	**-**	**9,169,188**
Accounts receivable	**4,246,248**	**950,420**	**-**	**5,196,668**
Receivables from tenants	**56,888,768**	**-**	**77,609**	**56,966,377**
	70,304,204	**950,420**	**77,609**	**71,332,233**

13 ACCOUNTS AND NOTES RECEIVABLE, NET (continued)

	31 December 2021			
	Doubtful balances US$	*Overdue but not impaired US$*	*Not yet due US$*	*Total US$*
Notes receivable	53,912,769	-	78,000	53,990,769
Accounts receivable	15,208,251	1,112,609	-	16,320,860
Receivables from tenants	48,433,691	-	359,520	48,793,211
	117,554,711	1,112,609	437,520	119,104,840

Receivables from tenants include an amount of US$ 41,175,541 as at 31 December 2022 (2021: US$ 31,807,691) 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 2022, the Company wrote-off doubtful receivables from tenants in the amount of US$ 1,054,129 recorded under "Write-off of receivables" in the separate statement of comprehensive income (2021: US$ 1,670,054).

(b) The movement of the allowance for expected credit losses is as follows:

	2022 US$	*2021 US$*
Balance at 1 January	**99,371,930**	93,636,106
Provided during the year (note 8)	**7,688,706**	-
Reallocation of provisions provided in prior years	**2,491,347**	6,263,324
Write-offs (*)	**(41,373,949)**	(527,500)
Balance at 31 December	**68,178,034**	99,371,930

(*) Following the settlement agreements reached, the Company wrote-off doubtful notes and accounts receivables that were already provided for earlier.

14 PREPAYMENTS AND OTHER DEBIT BALANCES

	2022 US$	*2021 US$*
Prepaid expenses	**6,112,249**	7,680,022
Value added tax (VAT) receivable (a)	**4,938,068**	3,997,791
Due from joint ventures, subsidiaries, associates and related parties (b)	**1,385,252**	79,109
Advances to employees	**674,740**	662,396
Accrued interest income	**234,048**	-
Advance payments to contractors	**115,809**	2,336,465
Other debit balances, net (c)	**1,724,001**	1,025,681
	15,184,167	15,781,464

14 PREPAYMENTS AND OTHER DEBIT BALANCES (continued)

(a) Value added tax (VAT) receivable

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) receivable/(payable) was as follows:

	2022 US$	*2021 US$*
Balance at 1 January	**3,997,791**	791,225
Additions, net	**940,277**	3,306,359
Settlements	-	(99,793)
Balance at 31 December	**4,938,068**	3,997,791

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

	2022		
	Gross carrying amount US$	***Expected credit losses US$***	***Net US$***
BCD Cinemas S.A.L. (Associate)	**3,025,992**	**(3,025,992)**	-
Solidere Management Services S.A.L. (Subsidiary)	**1,047,442**	-	**1,047,442**
Beirut Waterfront Development S.A.L. (Joint venture)	**170,169**	**(20,404)**	**149,765**
City Makers S.A.R.L. (Related party)	**82,822**	-	**82,822**
Solidere International Holdings S.A.L (Holding) (Subsidiary)	**50,853**	-	**50,853**
Solidere International PLC (Associate)	**32,261**	-	**32,261**
Beirut Hospitality Company S.A.L. (Holding) (Joint venture)	**16,646**	-	**16,646**
Solidere Management Services S.A.L. (Offshore) (Subsidiary)	**5,463**	-	**5,463**
	4,431,648	**(3,046,396)**	**1,385,252**

	2021		
	Gross carrying amount US$	*Expected credit losses US$*	*Net US$*
BCD Cinemas S.A.L. (Associate)	2,561,367	(2,561,367)	-
Solidere International Holdings S.A.L (Holding) (Subsidiary)	35,521	-	35,521
Solidere International PLC (Associate)	32,261	-	32,261
Beirut Waterfront Development S.A.L. (Joint venture)	20,404	(20,404)	-
Beirut Hospitality Company S.A.L. (Holding) (Joint venture)	10,000	-	10,000
Solidere Management Services S.A.L. (Offshore) (Subsidiary)	1,327	-	1,327
	2,660,880	(2,581,771)	79,109

14 PREPAYMENTS AND OTHER DEBIT BALANCES (continued)

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

The movement of the allowance for expected credit losses on related parties' balances is as follows:

	2022 US$	*2021 US$*
Balance at 1 January	**2,581,771**	2,199,721
Additions (note 8)	**-**	282,050
Reallocation of provisions provided in prior years	**464,625**	100,000
Balance at 31 December	**3,046,396**	2,581,771

(c) Other debit balances amounting to US$ 8,422,310 are stated net of provisions in the amount of US$ 6,698,309 as at 31 December 2022 (2021: US$ 7,723,990 are stated net of provisions in the amount of US$ 6,698,309).

15 FINANCIAL ASSETS AT AMORTIZED COST

	2022 US$	*2021 US$*
US treasury bills	**13,853,678**	-
Private corporate bonds	**7,850,000**	-
	21,703,678	-

	2022 US$	*2021 US$*
Current	**20,853,678**	-
Non-current	**850,000**	-
	21,703,678	-

As at 31 December 2022, the Company holds US treasury bills and private corporate bonds with a total face value amounting to US$ 21,900,000 with maturities varying between 2023 and 2024. The yield on the bonds varies between 4.01% and 4.15%. The Company's objective is to hold these securities to maturity and collect contractual cash flows.

16 INVENTORY OF LAND AND PROJECTS IN PROGRESS

	2022 *US$*	*2021* *US$*
Land and land development works, net (a)	**760,019,201**	756,193,101
Real estate development projects, net (b)	**97,548,932**	96,981,489
	857,568,133	853,174,590

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

	2022 *US$*	*2021* *US$*
Acquired properties (a.1)	**980,215,554**	970,823,554
Pre-acquisition costs (a.2)	**9,412,802**	9,412,802
Infrastructure costs (a.3)	**963,985,740**	958,137,585
Eviction costs (a.4)	**260,351,968**	260,351,968
Capitalized costs (a.5)	**119,536,608**	119,448,263
Cumulative costs	**2,333,502,672**	2,318,174,172
Less: cost of land sold, net	**(1,391,110,632)**	(1,379,608,232)
Cost of land transferred to real estate development projects (b)	**(176,019,718)**	(176,019,718)
Cost of infrastructure transferred to real estate development projects	**(6,353,121)**	(6,353,121)
	760,019,201	756,193,101

(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 19 February 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.

16 INVENTORY OF LAND AND PROJECTS IN PROGRESS (continued)

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

	2022 *US$*	*2021* *US$*
Sea front defense	**360,768,839**	360,768,839
Work executed in the traditional BCD area	**209,374,818**	209,408,942
Land reclamation and treatment	**103,897,957**	103,774,114
Borrowing costs	**48,530,457**	48,530,457
Electricity power station	**42,931,751**	42,931,751
Other costs	**198,481,918**	192,723,482
	963,985,740	958,137,585

(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 at 31 December 2022 (2021: the same) 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 31 December 2022 before indirect cost reallocation amounted to US$ 88,345 (2021: US$ 2,570,754) (note 7).

(b) Real estate development projects include the following:

	2022 *US$*	*2021* *US$*
Construction and rehabilitation of buildings	**750,896,000**	750,328,557
Cost of land (a)	**176,019,718**	176,019,718
Cumulative costs	**926,915,718**	926,348,275
Less: Cost transferred to investment properties, net	**(754,965,156)**	(754,965,156)
Cost transferred to property and equipment	**(30,237,375)**	(30,237,375)
Cost of real estate sold	**(44,164,255)**	(44,164,255)
	97,548,932	96,981,489

On 4 August 2020, a devastating deadly blast occurred at the Beirut seaport causing severe property damages across a wide area of the capital in general and Solidere in specific. Management has performed an assessment on the Company's properties and noted damages amounting to US$ 21.7million.

Accordingly, during 2020, the Company wrote down the carrying amounts of real estate development projects, investment properties, and property and equipment by US$ 13.9million, US$ 7.4million and US$ 400thousand respectively.

17 INVESTMENT PROPERTIES, NET

	Land *US$*	*Buildings* *US$*	*Other assets* *US$*	*Total* *US$*
Cost:				
At 1 January 2022	108,660,839	613,967,452	37,764,484	760,392,775
Additions	-	13,504,984	68,338	13,573,322
Disposals	(556,850)	(2,033,184)	-	(2,590,034)
Transfers from property and equipment (note 19)	551,905	2,841,279	25,016	3,418,200
At 31 December 2022	108,655,894	628,280,531	37,857,838	774,794,263
Accumulated depreciation:				
At 1 January 2022	-	120,984,372	29,816,727	150,801,099
Additions	-	12,366,077	2,722,889	15,088,966
Disposals	-	(465,975)	-	(465,975)
Transfers from property and equipment (note 19)	-	501,093	22,818	523,911
At 31 December 2022	-	133,385,567	32,562,434	165,948,001
Net carrying amount:				
At 31 December 2022	**108,655,894**	**494,894,964**	**5,295,404**	**608,846,262**

	Land *US$*	*Buildings* *US$*	*Other assets* *US$*	*Total* *US$*
Cost:				
At 1 January 2021	109,402,139	552,041,209	37,580,461	699,023,809
Additions	-	64,031,221	184,023	64,215,244
Disposals	(741,300)	(2,104,978)	-	(2,846,278)
At 31 December 2021	108,660,839	613,967,452	37,764,484	760,392,775
Accumulated depreciation:				
At 1 January 2021	-	109,900,377	27,185,384	137,085,761
Additions	-	11,516,437	2,631,343	14,147,780
Disposals	-	(432,442)	-	(432,442)
At 31 December 2021	-	120,984,372	29,816,727	150,801,099
Net carrying amount:				
At 31 December 2021	108,660,839	492,983,080	7,947,757	609,591,676

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.

On 20 November 2020, the Company signed a "Memorandum of Understanding" with "Beirut Waterfront Development S.A.L." (BWD), a joint venture, to acquire apartments and parkings amounting to US$ 29.25million in settlement of the balance due. During 2021, the Company acquired 14 apartments and parkings at the amount agreed on.

17 INVESTMENT PROPERTIES, NET (continued)

Disposals of land, building and other assets during 2022 resulted in a gain of US$ 1,025,941 recorded under "Gain on sale and disposal of investment properties" in the separate statement of comprehensive income for the year ended 31 December 2022 (2021: US$ 441,764).

Depreciation for investment properties in the amount of US$ 15,088,966 for the year 2022 (2021: US$ 14,147,780) is recorded under "Charges on rented properties" in the separate statement of comprehensive income (note 5).

Because of the uncertainties related to the market appetite and unavailability of comparable transactions and prolonged economic crisis in Lebanon, management was unable to assess whether there are indications that the investment properties might be impaired.

The Company classifies investment properties within level 3 in the hierarchy of fair value measurement (note 32).

18 INVESTMENTS IN JOINT VENTURES, SUBSIDIARIES AND ASSOCIATES

	% of Ownership			
	2022	*2021*	*2022*	*2021*
	%	*%*	*US$*	*US$*
Investments in subsidiaries				
Solidere International Holdings S.A.L.	**100**	100	**192,367,748**	192,367,748
Beirut Hospitality Company S.A.L. (Holding)	**100**	100	**33,302,380**	33,302,380
Solidere Management Services S.A.L. (Offshore)	**100**	100	**249,600**	249,600
Solidere Management Services S.A.L.(c)	**100**	100	**124,933**	124,933
			226,044,661	226,044,661
Investment in a joint venture				
Beirut Waterfront Development S.A.L. (a)	**50**	50	**11,385,075**	11,385,075
Investments in associates				
Solidere International PLC	**42.39**	42	**20,108,348**	20,108,348
BCD Cinemas S.A.L	**40**	40	**8,000**	8,000
			20,116,348	20,116,348
Other investments				
STOW Waterfront Holding S.A.L.	**1.68**	1.68	**506,000**	506,000
Long-term loan to a joint venture				
Beirut Waterfront Development S.A.L. (a)			**36,540,000**	36,540,000
			294,592,084	294,592,084

18 INVESTMENTS IN JOINT VENTURES, SUBSIDIARIES AND ASSOCIATES (continued)

	2022 *US$*	*2021* *US$*
Less: provision for impairment of investments		
Beirut Hospitality Company S.A.L. (Holding) (b)	**(33,302,380)**	(33,302,380)
Beirut Waterfront Development S.A.L.(a, b)	**(25,790,000)**	(25,790,000)
Solidere Management Services S.A.L. (Offshore) (b)	**(249,600)**	(249,600)
	(59,341,980)	(59,341,980)
	235,250,104	235,250,104

(a) The Company entered into a joint venture agreement on 11 February 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 31 December 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" in the statement of financial position, to be realized after realization of the sale of the properties to third parties. In 2021, the related properties were transferred to the Company and the amount of US$ 10,750,000 was recorded under "Other income" in the separate statement of comprehensive income (note 9).

On 27 June 2006, the Company granted Beirut Waterfront Development S.A.L. a long term loan against issuance of bonds for a total amount of US$ 25,200,000. This loan is subject to an annual interest of Libor + 2% but not less than 9%, payable on 30 June of each year. The total amount of this loan was due on 30 June 2011. During 2011, the maturity of the above loan was extended to 30 June 2016 with the same terms and conditions of the previous agreement and the accumulated interest up to 30 June 2011 in the amount of US$ 11,340,000 was capitalized with the original principal. The new balance of the accumulated interest recorded under "prepayments and other debit balances" amounted to US$ 21,375,900 as at 31 December 2017.

During 2018, the Company's Board of directors decided to stop accruing interest and to recycle the deferred interest amounting to US$ 32,715,900 to the separate statement of comprehensive income. The Company setup provisions for the full amount recognized against long term loan in the capitalized portion of US$ 11,340,000 and against accrued interest on long term loan in the amount of US$ 21,375,900. Also, an additional provision was set up in previous years against the principle of the long-term loan and amounted to US$ 14,450,000.

(b) The movement of the provisions was as follows:

	2022 *US$*	*2021* *US$*
Balance at 1 January	**59,341,980**	59,441,980
Reallocation of provisions provided in prior years	-	(100,000)
Balance at 31 December	**59,341,980**	59,341,980

(c) Subsequent to year end, on 11 July 2023, the Company sold Solidere Management Services S.A.L for a total amount of US$ 1,250,000 to a third party.

19 PROPERTY AND EQUIPMENT, NET

	Land *US$*	*Buildings* *US$*	*Marina* *US$*	*Furniture and fixtures* *US$*	*Freehold improvements* *US$*	*Machines and equipment* *US$*	*Total* *US$*
Cost:							
At 1 January 2022	5,406,678	39,790,480	7,972,170	5,499,204	13,966,857	39,778,879	112,414,268
Additions	-	567,948	-	-	-	157,100	725,048
Transfers to investment properties (note 17)	(551,905)	(2,841,279)	-	(25,016)	-	-	(3,418,200)
At 31 December 2022	4,854,773	37,517,149	7,972,170	5,474,188	13,966,857	39,935,979	109,721,116
Accumulated depreciation:							
At 1 January 2022	-	10,905,176	2,763,903	5,235,387	12,210,787	38,335,609	69,450,862
Additions	-	1,094,636	-	114,860	593,581	228,779	2,031,856
Transfers to investment properties (note 17)	-	(501,093)	-	(22,818)	-	-	(523,911)
At 31 December 2022	-	11,498,719	2,763,903	5,327,429	12,804,368	38,564,388	70,958,807
Net carrying amount:							
At 31 December 2022	**4,854,773**	**26,018,430**	**5,208,267**	**146,759**	**1,162,489**	**1,371,591**	**38,762,309**

	Land *US$*	*Buildings* *US$*	*Marina* *US$*	*Furniture and fixtures* *US$*	*Freehold improvements* *US$*	*Machines and equipment* *US$*	*Total* *US$*
Cost:							
At 1 January 2021	5,406,678	37,154,935	7,972,170	5,499,204	13,966,857	39,816,587	109,816,431
Additions	-	2,635,545	-	-	-	231,117	2,866,662
Disposals	-	-	-	-	-	(268,825)	(268,825)
At 31 December 2021	5,406,678	39,790,480	7,972,170	5,499,204	13,966,857	39,778,879	112,414,268
Accumulated depreciation:							
At 1 January 2021	-	9,970,586	2,603,858	5,046,081	11,478,873	38,330,744	67,430,142
Additions	-	934,590	160,045	189,306	731,914	273,690	2,289,545
Disposals	-	-	-	-	-	(268,825)	(268,825)
At 31 December 2021	-	10,905,176	2,763,903	5,235,387	12,210,787	38,335,609	69,450,862
Net carrying amount:							
At 31 December 2021	5,406,678	28,885,304	5,208,267	263,817	1,756,070	1,443,270	42,963,406

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022 *US$*	*2021* *US$*
Provision for contingencies (a)	**31,102,048**	34,058,020
Accounts payable (b)	**26,814,989**	30,633,538
Accruals for utilities costs	**2,994,649**	3,143,915
Deposits from tenants	**1,693,715**	1,575,208
Accruals for project costs	**812,434**	920,634
Other accruals	**7,964,942**	5,657,311
Provision for end-of-service indemnity and other charges (c)	**10,532,225**	9,665,536
Taxes payable (d)	**1,959,098**	474,762
Due to subsidiaries and related parties (e)	**194,376**	282,868
	84,068,476	86,411,792

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

	2022 *US$*	*2021* *US$*
At 1 January	**34,058,020**	33,920,451
Reallocation	**(2,955,972)**	137,569
At 31 December	**31,102,048**	34,058,020

(b) Accounts payable as at 31 December 2022 and 2021 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 27 (h).

During 2021, the Company wrote-off accounts payable, accrued charges and other credit balances in the amount of US$ 3,241,785 recorded under "Write-off of payables" in the separate statement of comprehensive income.

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

	2022 *US$*	*2021* *US$*
Balance at 1 January	**9,665,536**	9,737,566
Additions, net	**1,379,453**	101,241
Transfer to Solidere Management Services S.A.L	**(464,682)**	-
Settlements	**(48,082)**	(173,271)
Balance at 31 December	**10,532,225**	9,665,536

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES (continued)

(d) Taxes payable consist of the following:

	2022 *US$*	*2021* *US$*
Taxes withheld	**1,958,914**	474,578
Property tax payable	**184**	184
	1,959,098	474,762

Income tax

The applicable tax rate in Lebanon is 17% according to the Lebanese income tax law. The accrued income tax for the years 2022 and 2021 was estimated as follows:

	2022 *US$*	*2021* *US$*
Loss before tax	**(11,129,207)**	(19,708,643)
Add: Non-deductible reconciling items	**9,744,112**	15,327,050
Deduct: Non- taxable reconciling items	-	(11,246,273)
Taxable loss	**(1,385,095)**	(15,627,866)
Applicable tax rate	**17%**	17%
Income tax expense	-	-
Other taxes withheld	-	-
Deferred tax asset utilized	-	1,827,500
Income tax expense	-	1,827,500
Income tax expense	-	1,827,500
Less: deferred tax asset utilized	-	(1,827,500)
Accrued income tax	-	-

Deferred tax assets amounting to US$ 1,827,500 as at 31 December 2021 was recognized on unrealized profits from sales to a joint venture (note 17). During 2021, the properties were transferred from "Beirut Waterfront Development S.A.L. (note 17) and the unrealized gain amounting to US$ 10,750,000 was recognized in the separate statement of comprehensive income under "Other income" (note 9). As a result, the deferred tax asset was utilized and recorded under "income tax expense" in 2021.

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES (continued)

(e) Due to subsidiaries and related parties include:

	2022 *US$*	*2021* *US$*
GroupMed Insurance and Reinsurance Company S.A.L.	**194,376**	-
Solidere Management Services S.A.L.	-	282,868
	194,376	282,868

21 DIVIDENDS PAYABLE

General Assembly Date	*Dividend per Share* *US$*	*Declared* *US$*	*Settled/Distributed up to 31 December 2022* *US$*	*2022 Payable* *US$*	*2021 Payable* *US$*
29 June 1996	0.2	30,918,413	29,494,941	**1,423,472**	1,423,998
30 June 1997	0.25	40,367,172	37,750,148	**2,617,024**	2,617,462
29 June 1998	0.25	39,351,753	36,205,571	**3,146,182**	3,146,557
23 June 2003	Stock dividend	19,625,550	19,606,235	**19,315**	19,315
12 June 2006	0.6	94,831,106	90,905,787	**3,925,319**	3,930,186
22 June 2007	1	155,093,702	148,769,370	**6,324,332**	6,331,923
15 July 2008	1	155,090,832	146,096,264	**8,994,568**	9,005,526
13 July 2009	1.15	176,479,956	166,573,712	**9,906,244**	9,929,614
19 July 2010	1.15	175,228,434	163,897,905	**11,330,529**	11,343,943
1 August 2011	0.4	60,912,291	57,844,864	**3,067,427**	3,075,763
1 August 2011	Stock dividend	85,987,850	85,987,850	-	-
30 July 2012	0.25	39,316,239	36,376,034	**2,940,205**	2,948,027
30 July 2012	Stock dividend	42,744,616	42,744,616	-	-
13 July 2015	0.1	16,015,415	14,779,673	**1,235,742**	1,247,880
13 July 2015	Stock dividend	36,859,995	36,859,995	-	-
27 June 2016	0.1	16,302,491	13,880,534	**2,421,957**	2,729,696
27 June 2016	Stock dividend	19,070,313	19,070,313	-	-
		1,204,196,128	1,146,843,812	**57,352,316**	57,749,890

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

22 DEFERRED REVENUES

	2022 *US$*	*2021* *US$*
Cash down payments and commitments on sale contracts	**39,348,681**	62,812,287
Deferred rental revenue and related deposits	**10,981,326**	9,643,984
	50,330,007	72,456,271

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

23 SHARE CAPITAL

Share capital

Capital as at 31 December 2022 and 2021 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.

Treasury shares

In its Board of directors meeting held on 20 August 2021, the Board of directors resolved to buy or sell up to 3% of the Company's total shares. During 2022, the Company purchased 31,590 (2021: 1.8million) of its shares, for the aggregate amount of US$ 1.39 million (2021: US$ 44.2million).

Movement of treasury shares recognized in the separate statement of financial position is as follows:

	2022		*2021*	
	Number of shares	*Cost US$*	*Number of Shares*	*Cost US$*
Balance at 1 January	**3,714,734**	**74,027,956**	1,915,105	29,789,788
Purchase of treasury shares	**31,590**	**1,388,346**	1,799,629	44,238,168
Balance at 31 December	**3,746,324**	**75,416,302**	3,714,734	74,027,956

24 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.

25 NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	2022 US$	*2021 US$*
Depreciation of investment properties (note 17)	**15,088,966**	14,147,780
Depreciation of property and equipment (note 19)	**2,031,856**	2,289,545
Depreciation charge for the year	**17,120,822**	16,437,325

25 NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Cash and cash equivalents comprise the following:

	2022 *US$*	*2021* *US$*
Cash on hand (note 12)	**5,698,642**	1,632,438
Checks for collection (note 12)	**8,774**	771,863
Current accounts (note 12)	**19,387,313**	81,402,568
Short term deposits (note 12)	**16,502,944**	11,752,970
	41,597,673	95,559,839

Current bank accounts and short term deposits include an amount of US$ 12,339,045 (2021: US$ 50,479,408) subject to the de-facto capital control as disclosed in note 2.1.

(c) During the year ended 31 December 2022, the following non-cash item was excluded from the operating and investing activities in the statement of cash flows:

- Decrease of US$2,894,289 in "Property and equipment, net" against increase in "Investment properties, net".
- Decrease of US$ 464,625 in "Prepayments and other debit balances" and decrease of US$ 2,491,347 in "accounts and notes receivable" against a decrease of US$ 2,955,972 in "accounts payable and other liabilities" representing provisions reallocated.
- Decrease of US$ 9,392,000 in "accounts and notes receivable" against an increase in "inventory of land and projects in progress".

During the year ended 31 December 2021, the following non-cash item was excluded from the operating and investing activities in the separate statement of cash flows:

- Decrease of US$ 2,548,506 in "accounts and notes receivable, net" against a decrease in "accounts payable and other liabilities" by US$ 137,568 and an increase in "Cash and bank balances" by US$ 2,686,074 representing provisions reallocated.
- Increase of US$ 29,250,000 in "Investment properties, net" against decrease in "Prepayments and other debit balances".
- Increase of US$ 2,136,512 in "Investment in asset-backed securities" against a decrease in "Cash and bank balances" representing provisions reallocated.
- Increase of US$ 3,238,950 in "Cash and bank balances" against a decrease in "accounts and notes receivable, net" representing provisions reallocated.

26 RELATED PARTIES TRANSACTIONS AND BALANCES

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.

Transactions and balances with shareholders:

	2022 *US$*	*2021* *US$*
Local banks – significant but minority shareholders of the Company		
Bank balances	**17,310,887**	61,824,023
Interest income	**8,326**	3,760
Commission charges	**(113,472)**	(420,284)
GroupMed Insurance and Reinsurance Company S.A.L.		
Insurance expenses	**929,136**	1,400,000

26 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Transactions and balances with shareholders (continued)
Certain directors of the Company are members of the boards of directors of banks and an insurance company with whom the Company has various activities.

Transactions and balances with subsidiaries, associates and joint ventures
In addition to those disclosed in notes 14, 18 and 20 to the separate financial statements, below are other transactions and balances:

- During 2022, Solidere Management Services S.A.L., a subsidiary, rendered services to the Company in the aggregate amount of US$ 15.9million recorded under "Depreciation of and charges on rented properties" in the separate statement of comprehensive income for the year ended 31 December 2022 (2021: US$ 3,462,096).
- On 20 September 2021, the Annual Ordinary General Assembly of Solidere Management Services S.A.L., a subsidiary, resolved to distribute dividends in favor of the Company amounting to US$ 80,528 for the year ended 31 December 2021.

Transactions with key management personnel
Total benefits of executives and members of the Board of directors (including salary, bonus, remuneration, termination indemnity and others), included within "General and administrative expenses", for the year ended 31 December 2022 amounted to US$ 2,211,400 (2021: US$ 5,001,000).

Other related party transactions
During 2022, the Company purchased treasury shares through a related party and paid an aggregate amount of US$ 126,268 (2021: US$ 76,956) as trading commission fees.

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

27 COMMITMENTS AND CONTINGENCIES

(a) Certain areas of the Lebanese tax legislation are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities.

The Company's books and records for years from 2016 till 2021 are being reviewed by the Department of Income Tax. The final report of findings for the year 2016 issued on 24 July 2023, resulted in additional taxes and penalties in the amount of LL 7billion. Management believes that the effect of the review from 2017 till 2021 will not have a material effect on the financial statements.

The Company's books and records for the year 2022 have not been reviewed by the Department of Income Tax. Management believes that the effect of any such review will not have a material effect on the financial statements.

(b) The Company's books and records for the years from 1 July 2018 till 2022 (inclusive) have not been reviewed by the Department of Value Added Tax. Management believes that the effect of any such review will not have a material effect on the financial statements.

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

(d) The total projected cost for completion of the BCD project used by management as a basis for determination of cost of sales was estimated at US$ 2.3billion as at 31 December 2022 (2021: same).

27 COMMITMENTS AND CONTINGENCIES (continued)

(e) Commitments for contracted works not executed as at 31 December 2022 amounted to approximately US$ 12.1million (2021: US$ 12.5million) noting that works on most of the projects have been suspended following the Beirut Port explosion and the current economic and political situation in the country.

(f) 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.

(g) The Company is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors and other parties. On the basis of advice received from the external legal counsel and the 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.

(h) On 7 June 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 15,000 sqm 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 at date and has not been reflected in the accompanying financial statements.

(i) 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.

(j) 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 4,900 sqm against ceding of owners' shares from both lots. Additionally, a built-up area of 5,335 sqm (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. This was not completed as of the date of issuance of these financial statements.

(k) 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 4 April 2016 and then deferred to 13 June 2016. A final binding judgment was rendered on 4 July 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. 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.

(l) The Company has commitments and contingencies in the form of letters of guarantee in the amount of US$ 2,205,576 as at 31 December 2022 (2021: US$ 2,247,508).

27 COMMITMENTS AND CONTINGENCIES (continued)

(m) Following the resolution of the Company's shareholders during 1998 to amend the duration of the Company from 25 years to 75 years, the Council of Ministers issued decree No. 15909 limiting the extension of the Company's duration to 10 years, to become 35 years. During 2016, one of the property owners in the Beirut Central District, filed a claim before the Lebanese State *Shura* Council "مجلس شورى الدولة" against the State of Lebanon, to revoke and suspend the execution of the Council of Ministers decree No. 15909, and citing the Company as a third-party to the claim, which was rejected by the State *Shura* Council. During the same year, the plaintiff asked for a retrial.

On 12 October 2020, the designated Counselor "المستشار المقرر" of the State *Shura* Council, submitted a report setting forth her opinion and concluding that the request for a retrial is admissible, and which was concurred by the Assistant State Commissioner "مفوض الحكومة "المعاون" on 20 October 2020. On 16 March 2021, the Lebanese State *Shura* Council "مجلس شورى الدولة", decided to cancel the above decision, and requested to re-examine the case.

On 16 March 2021, the report of the Counsellor appointed by the Council of cases المستشار المقرر المعين من قبل "مجلس القضايا" was issued, after the aforementioned opinion was referred to the Council of cases "مجلس القضايا" in the State *Shura* Council, that came to a conclusion contradictory to the report issued on 12 October 2020, where it decided to accept the request for a retrial inform but rejected it in substance, which was supported by the Assistant State Commissioner in his reading on 23 March 2021. The Company submitted its comments on the latest decision and reading on 26 May 2021.

The final outcome of the above cannot be presently determined.

(n) As at 31 December 2021, the Company held under custody, cash for a related party amounting to US$ 240,000. These are not included as assets of the Company in the separate statement of financial position.

28 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 31 December 2022 and 2021.

The capital structure of the Company consists of debt and equity. Debt consists of total liabilities less cash and bank balances. Equity comprises share capital, legal reserves and accumulated losses less treasury shares. The Company monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at 31 December 2022 and 2021 was as follows:

	2022 *US$*	*2021* *US$*
Total liabilities	**191,750,799**	216,617,953
Less: cash and bank balances	**(40,479,184)**	(86,752,644)
Net debt	**151,271,615**	129,865,309
Total equity	**1,627,071,067**	1,639,588,620
Gearing ratio	**0.09**	0.08

29 RISK MANAGEMENT

The Company's principal financial liabilities comprise dividends payable and accounts payable and other liabilities. The Company has various financial assets such as accounts and notes receivable, cash and bank balances, financial assets at amortized cost and other debit balances which arise directly from its operations. The main risks arising from the Company's financial instruments are 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) Foreign currency risk
Currency risk arises from the possibility that changes in exchange rates will affect the values of the monetary assets and liabilities denominated in foreign currencies in case the Company does not hedge its currency exposure by means of hedging instruments.

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's monetary assets and liabilities are mostly denominated in US Dollar (US$) and Lebanese Lira (LL). The LL official exchange rate against the US$ has been constant since many years. As disclosed in note 2 to the separate financial statements, subsequent to year end, on 1 February 2023, the official exchanged rate increased to US$/LL 15,000 as published by the Central Bank of Lebanon. However, the de-facto capital control imposed by banks in Lebanon since October 2019 mainly on movement of funds in foreign currencies, caused the creation of the Sayrafa platform and parallel markets with wide range of price variance between the US Dollar official exchange rate and the market and Sayrafa exchange rate. Management is taking steps to address currency risk by matching sources and applications of funds, as applicable.

(b) 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.

(i) General approach: Bank balances and deposits and financial assets at amortized costs
The Company has liquid funds placed with Lebanese banks which are subject to de-facto capital control imposed by banks. As a result of the current financial and economic crisis in Lebanon disclosed in note 2, credit rating agencies have downgraded the credit rating for Lebanon to default category with little recovery, which resulted in an increase in significant credit risk for the Company's exposure to Lebanese banks. Also, the Company seeks to reduce the credit risk with respect to foreign bank deposits by dealing with reputable foreign banks. Refer to note 12. The Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of debtor and adjusts for forward looking macroeconomic data.

	2022		*2021*	
	Gross carrying amount US$	***Expected credit losses US$***	*Gross carrying amount US$*	*Expected credit losses US$*
Local banks	**16,444,197**	**(1,118,489)**	52,140,259	(8,807,195)
Foreign banks	**19,446,060**	**-**	41,015,279	-
Total	**35,890,257**	**(1,118,489)**	93,155,538	(8,807,195)

29 RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Simplified approach

For trade accounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. 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 13.

The Company's maximum exposure to credit risk is the carrying amount as disclosed in notes 12, 13, 14 and 15.

(c) Liquidity risk

Liquidity risk is the risk that an entity 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 manages liquidity risk by maintaining adequate resources and ensuring the availability of necessary facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Given the restrictions imposed on foreign currency transfers outside the country and the significant variance between the US Dollar official exchange rate and the market exchange rate since October 2019 and the Sayrafa exchange rate since May 2021, management is considering options available to secure foreign currency inflows to settle any obligations in foreign currency.

Furthermore, as at 31 December 2022 and 2021, the Company's current liabilities exceeded its current assets. In order for the Company to meet its funding requirements and obligations, management setup a sales strategy and collection incentives to increase its liquidity. The Company's current liabilities are mostly from deferred income which is not expected to generate cash outflows.

The table below summarizes the maturity profile of the Company's liabilities as at 31 December 2022 and 2021 based on contractual undiscounted liabilities:

	2022				
	No maturity US$	*Less than 3 months US$*	*3-12 months US$*	*1 to 5 years US$*	*Total US$*
Accounts payable and other liabilities	22,138,514	4,870,851	-	-	27,009,365
Dividends payable	57,352,316	-	-	-	57,352,316
Other	107,389,118	-	-	-	107,389,118
	186,879,948	4,870,851	-	-	191,750,799

29 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	2021				
	No Maturity US$	*Less than 3 Months US$*	*3-12 Months US$*	*1 to 5 Years US$*	*Total US$*
Accounts payable and other liabilities	20,203,767	10,712,639	-	-	30,916,406
Dividends payable	57,749,890	-	-	-	57,749,890
Other	127,951,657	-	-	-	127,951,657
	205,905,314	10,712,639	-	-	216,617,953

30 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.

	2022		
	Real estate sales US$	***Real estate rental and rendered services US$***	***Total US$***
Total assets	**1,209,897,995**	**608,923,871**	**1,818,821,866**
Total liabilities	**127,554,496**	**64,196,303**	**191,750,799**

	2021		
	Real estate sales US$	*Real estate rental and rendered services US$*	*Total US$*
Total assets	1,246,255,377	609,951,196	1,856,206,573
Total liabilities	145,437,093	71,180,860	216,617,953

30 OPERATING SEGMENTS (continued)

	2022		
	Real estate sales US$	*Real estate rental and rendered services US$*	*Total US$*
Revenues	29,598,477	35,265,388	64,863,865
Cost of revenues	(11,502,400)	(48,480,388)	(59,982,788)
Gain on sale and disposal of investment properties, net	-	1,025,941	1,025,941
Net revenues from operations	18,096,077	(12,189,059)	5,907,018
General and administrative expenses	(36,622,208)	(4,069,134)	(40,691,342)
Selling expenses	(127,204)	-	(127,204)
Depreciation of property and equipment	(1,828,670)	(203,186)	(2,031,856)
Write-off of receivables	-	(1,054,129)	(1,054,129)
Other expense	(581,835)	-	(581,835)
Other income	-	2,261,578	2,261,578
Interest income	427,328	-	427,328
Bank commissions and charges	(430,705)	-	(430,705)
Gain on foreign exchange, net	25,191,940	-	25,191,940
Profit (loss) before tax	4,124,723	(15,253,930)	(11,129,207)
Income tax expense	-	-	-
Profit (loss) for the year	4,124,723	(15,253,930)	(11,129,207)

	2021		
	Real estate sales US$	*Real estate rental and rendered services US$*	*Total US$*
Revenues	85,209,200	25,625,770	110,834,970
Cost of revenues	(41,247,703)	(42,561,639)	(83,809,342)
Gain on sale and disposal of investment Properties, net	-	441,764	441,764
Net revenues from operations	43,961,497	(16,494,105)	27,467,392
General and administrative expenses	(29,152,778)	(3,239,198)	(32,391,976)
Selling expenses	(963,139)	-	(963,139)
Depreciation of property and equipment	(2,060,590)	(228,955)	(2,289,545)
Provision for impairment, net	-	(282,050)	(282,050)
Loss on rescheduled receivables	(119,898)	-	(119,898)
Write-off of receivables	-	(1,670,054)	(1,670,054)
Write-off of payables	3,241,785	-	3,241,785
Other expense	(581,279)	-	(581,279)
Other income	10,750,000	102,296	10,852,296
Interest income	903,293	-	903,293
Bank commissions and charges	(814,671)	-	(814,671)
Dividend income	80,528	-	80,528
Loss on foreign exchange, net	(23,141,325)	-	(23,141,325)
Profit (loss) before tax	2,103,423	(21,812,066)	(19,708,643)
Income tax expense	(1,827,500)	-	(1,827,500)
Profit (loss) for the year	275,923	(21,812,066)	(21,536,143)

31 CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

	2022 US$	2021 US$
ASSETS		
Current assets		
Cash and banks balances	40,479,184	86,752,644
Accounts and notes receivables, net	1,028,029	12,692,689
Prepayments and other debit balances	15,184,167	15,781,464
Financial assets at amortized cost – current portion	20,853,678	-
Total current assets	77,545,058	115,226,797
Non-current assets		
Inventory of land and projects in progress	857,568,133	853,174,590
Investment properties, net	608,846,262	609,591,676
Investments in joint ventures, subsidiaries and associates	235,250,104	235,250,104
Property and equipment, net	38,762,309	42,963,406
Financial assets at amortized cost – non-current portion	850,000	-
Total non-current assets	1,741,276,808	1,740,979,776
TOTAL ASSETS	1,818,821,866	1,856,206,573
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities - current portion	44,395,765	44,580,589
Dividends payable	57,352,316	57,749,890
Deferred revenues - current portion	50,330,007	72,456,271
Total current liabilities	152,078,088	174,786,750
Non-current liabilities		
Accounts payable and other liabilities - non-current portion	39,672,711	41,831,203
Total non-current liabilities	39,672,711	41,831,203
TOTAL LIABILITIES	191,750,799	216,617,953
EQUITY		
Issued capital at par value US$ 10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	1,650,000,000	1,650,000,000
Legal reserve	169,554,373	169,554,373
Accumulated losses	(117,067,004)	(105,937,797)
Less: Treasury shares	(75,416,302)	(74,027,956)
Total equity	1,627,071,067	1,639,588,620
TOTAL LIABILITIES AND EQUITY	1,818,821,866	1,856,206,573

32 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 2. The summary of the Company's classification of each class of assets and liabilities and their fair values are as follows:

		2022				
		Carrying	Fair value			
	Notes	amount US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at:						
Amortized cost						
Cash and bank balances	12	40,479,184	29,249,854	11,229,330	-	40,479,184
Accounts and notes receivable	13	1,028,029	-	-	1,028,029	1,028,029
Due from joint ventures, subsidiaries, associates and other related parties	14	1,385,252	-	-	1,385,252	1,385,252
Other debit balances	14	1,724,001	-	-	1,724,001	1,724,001
Financial assets at amortized cost	15	21,703,678	21,703,678	-	-	21,703,678
		66,320,144	50,953,532	11,229,330	4,137,282	66,320,144
Financial liabilities measured at:						
Amortized cost						
Accounts payable and other liabilities	20	27,009,365	-	-	27,009,365	27,009,365
Dividends payable	21	57,352,316	-	-	57,352,316	57,352,316
		84,361,681	-	-	84,361,681	84,361,681

		2021				
		Carrying	Fair value			
	Notes	Amount US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at:						
Amortized cost						
Cash and bank balances	12	86,752,644	44,308,568	42,444,076	-	86,752,644
Accounts and notes receivable	13	12,692,689	-	-	12,692,689	12,692,689
Due from joint ventures, subsidiaries, associates and other related parties	14	79,109	-	-	79,109	79,109
Other debit balances	14	1,025,681	-	-	1,025,681	1,025,681
		100,550,123	44,308,568	42,444,076	13,797,479	100,550,123
Financial liabilities measured at:						
Amortized cost						
Accounts payable and other liabilities	20	30,916,406	-	-	30,916,406	30,916,406
Dividends payable	21	57,749,890	-	-	57,749,890	57,749,890
		88,666,296	-	-	88,666,296	88,666,296

The fair values of the financial assets and financial liabilities are not materially different from their carrying values.

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

33 APPROVAL OF FINANCIAL STATEMENTS

The Board of directors approved the financial statements for the year ended 31 December 2022 on 4 December 2023.