Implementing strategies to deliver solid financial results

06

Corporate and Financial Report

Solidere issues annual reports to its shareholders that summarize its activities during a specific year and highlight milestones achieved over the years. The report includes a summary about the company's sales and rental strategy and corporate finance, consolidated financial highlights, auditors' report, and consolidated financial statements.

Consolidated Financial Highlights

Summary of Results

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SUMMARY OF OPERATIONS IN US$ MILLION		
Gross land sales	241.7	337.2
Gross rental income	49.9	41.2
General and administrative expenses	38.2	42.7
Net income	158.8	195.5
STOCK DATA PER SHARE IN US$		
Earnings	1.0285	1.2847
Shareholders' equity	12.30	12.07
Stock price range		
A shares	20.40 - 13.40	24.28 - 18.00
B shares	20.07 - 13.11	24.17 - 17.89
GDRs	20.24 - 13.35	24.25 - 17.67
FINANCIAL DATA IN US$ MILLION		
Cash and securities	174.1	169.6
Accounts and notes receivable	551.3	486.8
Properties held for development and sale	1,178.3	1,084.2
Investment properties	444.6	443.0
Retained earnings	263.1	267.2
Legal reserves	148.2	131.9
Treasury stock	(134.9)	(224.5)
Total shareholders' equity	1,935.9	1,838.2
FINANCIAL RATIOS IN %		
Gross profit margin - land sales	83.72	76.68
Return on liquid assets	4.16	4.57
Debt to equity	30.48	26.15

Sales & Rental Strategy

Approach and Services

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As a land bank with a considerable property portfolio, Solidere markets a wide range of land and built-up space for residential, commercial, retail, hospitality and other uses. In the early years, sales mainly concerned un-built lots and existing buildings. They were sold as is for renovation or development. However, the delivery of Solidere real estate projects led to a growing volume of land sales and leasing operations that involved finished products.

Since 2005, the Company has increasingly been holding on to its portfolio of finished products, opting for lease in order to generate a reliable annual income flow. It will continue to do so in the foreseeable future as part of its revenue diversification strategy and will continue to develop and retain key real estate projects that play a vital role in helping to create a vibrant city center.

In addition, the Company supports third-party developers while monitoring the demand for and supply of real estate in the city center. So far, a total built-up-area (BUA) of some 2.55 million sq m has been the subject of third-party development including recuperated and exempted property, of which a BUA of 1.14 million sq m has been completed, with the balance at different stages of design, construction, or restoration.

Due to the reconstruction effort, much has changed in Beirut in recent years. A steady stream of new owners and tenants has moved into the city center, and a large number of establishments have opened their doors. As part of its strategy to stimulate quality real estate development, Solidere has expanded its support to investors to include project design and development.

In addition to providing development briefs based on sector plans and adapted to individual project sites, the Company commissioned local and international architects to prepare concept designs for a number of lots. This practice has obvious benefits for prospective buyers, to whom Solidere at times even sells land accompanied by an architectural design and complete development program.

Sales Results

In any given year, the sales recognized in the income statement consist of closed deals negotiated in that year and in preceding ones. On the other hand, the deals negotiated up to that year and not closed during the year make up the sales backlog at year end. Aggregate land sales of US$ 2.80 billion, were recognized from inception to end 2011 (1.9 million sq m of floor space) of which US$ 241.7 million (66,952 sq m) in 2011.

Leasing Results

Solidere's portfolio of income generating properties includes Beirut Souks, the UN House building, the Embassy Complex, new and restored flats in Saifi, Wadi Abou Jamil, and Zokak El Blatt, and space it owns in other buildings. The Company also generates income from car parks and mooring spaces in Beirut Marina. At the end of 2011, the book value of investment properties was US$ 486.5 million (US$ 444.6 million after depreciation). Gross rental income from leased space was US$ 49.9 million in 2011 against US$ 41.2 million in 2010, while charges on rented properties decreased to US$ 21 million from US$ 27 million for the same years.

Property Marketing

Solidere has been highly successful in marketing its residential, commercial and institutional spaces, both new and restored. As alternatives to a simple lease, schemes such as lease with the option to buy and outright sale were offered for residential space until 2002 and 2004 respectively. Buyers could also benefit from payment facilities.

From 2005 onward, however, property sales or options to buy were discontinued, with no outstanding options to buy after the end of 2007. Ever since, only lease contracts continue to generate income flows.

Sales Procedure

A sales agreement, which includes pre-development and construction standards, timetables and payment conditions, is signed upfront. Sales are expressed in terms of floor or built-up area (net development rights). In 2011, Solidere pursued its policy of offering buyers the possibility to either pay in cash or defer part of the sale price payment. Financing up to 75 percent of the land sales value by Solidere continued, following the standard formula on the basis of maturities carrying interest at LIBOR plus a margin of 2.5 percent with a floor.

The property transfer is registered before the Real Estate Registrar upon signing the final deed, following fulfillment of technical and legal conditions, together with the mortgage contract in case of financing. Concomitant with the property transfer registration, the buyer and/or developer provides Solidere with a first-degree mortgage on the sold property as a guarantee against any outstanding payments. A bank guarantee also provides security for proper and timely execution of all construction works.

Property Management

Solidere provides complete full-time property management, operation and maintenance services for all its commercial and residential properties, as well as third-party properties, through its Property Administration Division. The Company continues to administer contracts related to the property recuperation process and manages around 750,000 sq m of built-up area, including the Embassy Complex and United Nations House, parking lots such as the Foch car park, as well as outdoor lighting, billboards on private domain.

Solidere maintains a high level of control on the implementation of safety rules and regulations as well as the approval of signage and shopfront designs. The Company extends its knowhow and services to third-party owners, entering into agreements for the marketing, management and maintenance of their properties, either directly or via its subsidiary Solidere Management Services (SMS).

The portfolio of clients currently includes The Platinum Tower, Bay Tower, Dana of CCC, Park View and Tamari Group buildings, Berytus Parks, Saifi Village, Saifi Two, Foch Residence and Assicurazione Generali in addition to a number of Solidere co-owned buildings. The Company offers the following services: technical maintenance, cleaning, safety, security, maintenance of landscaped areas, marketing, lease management, assets inventories, budgeting, insurance, collecting rents, tackling co-ownership issues and paying real estate and municipal taxes. As a result, Solidere is deriving rising revenues from property management services. Interactive tools are being developed to serve clients in the near future.

Solidere Management Services

Solidere provides, through its subsidiary Solidere Management Services (SMS), complete development services to third-party developers upon their request, and ensures that the development process and the final product conform to the Company's formulated criteria and high quality standards.

The Company initiated and executed the design of the predominantly residential clusters in Wadi Abou Jamil and Mina El Hosn. Lebanese and international architects contributed development design concepts that reflected a response to the local context, culture and climate. Overwhelming market demand led to the sale of nearly all properties within such cluster concepts.

SMS not only acts as a consultant on construction management issues, but it also provides a broad scope of services associated with real estate development: program definition, marketing, design control, client representation, financial management, sales and post-construction operation and maintenance. Among the projects managed by SMS, two in particular set an urban and architectural benchmark in Wadi Abou Jamil.

The first, Noor Gardens, designed by Porphyrios Associates (UK) with Malek Mahmassani Architectural Practice, is a residential complex comprising three clusters made up of luxurious apartments and penthouses. The second, Beirut Square, is designed by Giancarlo De Carlo and Associates (Italy) with Rafik El Khoury and Partners and consists of four buildings arranged around an interior space that is divided into one common and several private gardens. Other developments managed by SMS include Garden View, Eden Gardens, and New Zone Real Estate.

Corporate Finance

Treasury, Shares, and Investor Relations

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Corporate Funding

In 2011, Solidere pursued the practice of resorting to flexible short-term credit arrangements, mainly temporary overdrafts at competitive interest rates. All short-term bank facility signed in previous years were renewed.

Liquidity

The consolidated balance sheet at year end shows positions of US$ 174.1 million for cash and cash balances and US$ 551.3 million for accounts and notes receivable, and US$ 520 million for bank overdrafts and short-term facilities.

The Company maintained its policy of investing its liquid funds in assets presenting minimum risk and with top ranking banking and financial institutions in the domestic and international markets. For efficient cash management, Solidere also arranged with local banks certain revolving current overdraft facilities, utilized and refunded according to cash needs and availability.

Interest income earned during the year on the aggregate cash placements was equivalent to an annualized interest rate of about 4.16%.

Exchange Listings and Ticker Symbols

Beirut Stock Exchange
Solidere A shares: SOLA.BY
Solidere B shares: SOLB.BY
London Stock Exchange
GDRs: SOLAq.L

Analysis of Share Prices

The year 2011 proved to be challenging to the equity markets regionally as well as locally. Regional political unrest and persistent fears over the world economy pulled down all listed stocks on the Beirut Stock Exchange. The Solidere shares were under pressure as well, as they drifted lower during the year, reaching a three-year low, on a relatively quiet market.

The release of the 2010 Solidere financial results around the month of May 2011, which were better than market expectations given the negative general economic environment, as well as many recommendations from reputable local and international financial institutions, which estimated the value of the shares to be higher than the market price, did not quell the general negative sentiment in the market. The negative sentiment persisted in spite of some positive news from the Company that recorded major land sales during the last quarter of 2011.

Another tentative push around early December 2011, triggered by some positive local political news, quickly fizzled down as tensions within the government and persistent regional turmoil continued to affect the local markets sentiment in general.

Share A closed the year at $14.38, representing a 22.39% decrease over the previous year closing price, along with share B that closed at $14.50, a 22.16% decrease over 2010 closing level. Similarly the GDRs, which are traded on the London Stock Exchange, closed the year down at $14.28, a 25.31% decrease compared to the previous year.

Both classes of shares fluctuated between a high of $20.40 and a low of $13.11. Trading was relatively sluggish, with a total of around 13 million shares changing hands, for a cumulative value of about $203 million. This represents around 8% of the Company capital changing hands. The average daily volume was about 52,000 shares worth around $806,000. The average price for the year consequently was about $15.5, a 26% decrease compared to the previous year.

Dividend Distribution

Since inception, Solidere has distributed dividends in 10 out of its 18 years of operations for a total value of US$ 1.03 billion (out of an aggregate net income of US$ 1.52 billion). Solidere stands by its commitment to distribute dividends to shareholders depending on the level of profits and the available liquidity after providing capital expenditure for infrastructure and real estate development projects.

Investor Relations

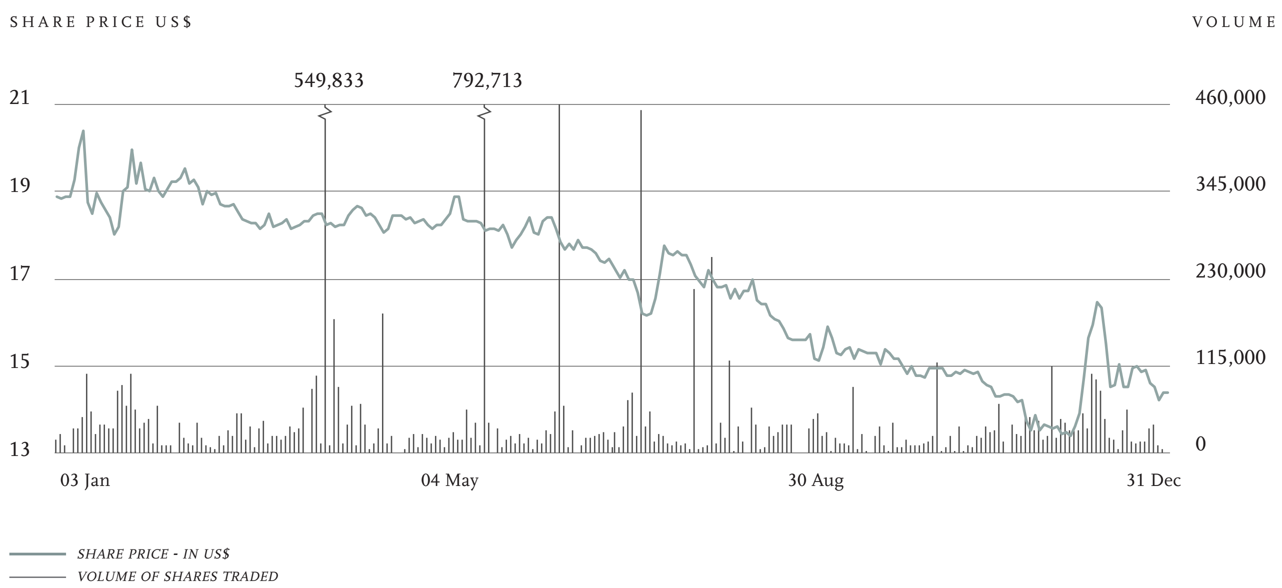
As part of its ongoing efforts to achieve wider and more diversified exposure to the investment community, Solidere met with 114 institutional investors/analysts in over 102 meetings in various local, regional, and international investor conferences, with the aim to inform and provide updates on the Company's operational and financial developments. Attending investors were mainly from the US, the UK and the MENA region.

In line with its commitment to enhance and increase communication with the investment community, Solidere hosted at its premises, in July 2011, an "Analyst Day", which included a company presentation followed by a questions and answers session with senior management.

Furthermore, Solidere welcomed representatives from a number of investment funds, research houses and other financial institutions throughout the year.

HSBC, Citi, Goldman Sachs, BlomInvest, and FFA published and/or initiated equity coverage on the Company.

A SHARES-DAILY TRADES 2011



B SHARES-DAILY TRADES 2011

Board of Directors and General Management

Corporate Management

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CHAIRMAN AND GENERAL MANAGER
Nasser Chammaa

VICE CHAIRMAN
Fadi Boustany

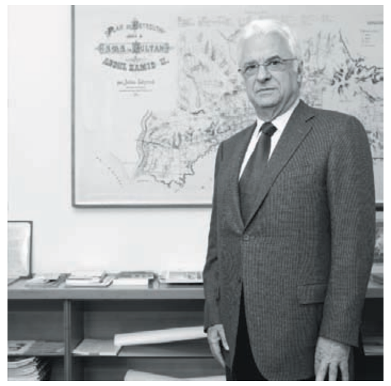
VICE CHAIRMAN
Maher Beydoun

GENERAL MANAGER
Mounir Douaidy

MEMBER OF THE BOARD
Sarkis Demerjian

MEMBER OF THE BOARD
Raphael Sabbagha

MEMBER OF THE BOARD
Fouad El Khazen



MEMBER OF THE BOARD
Sami Nahas

MEMBER OF THE BOARD
Basile Yared

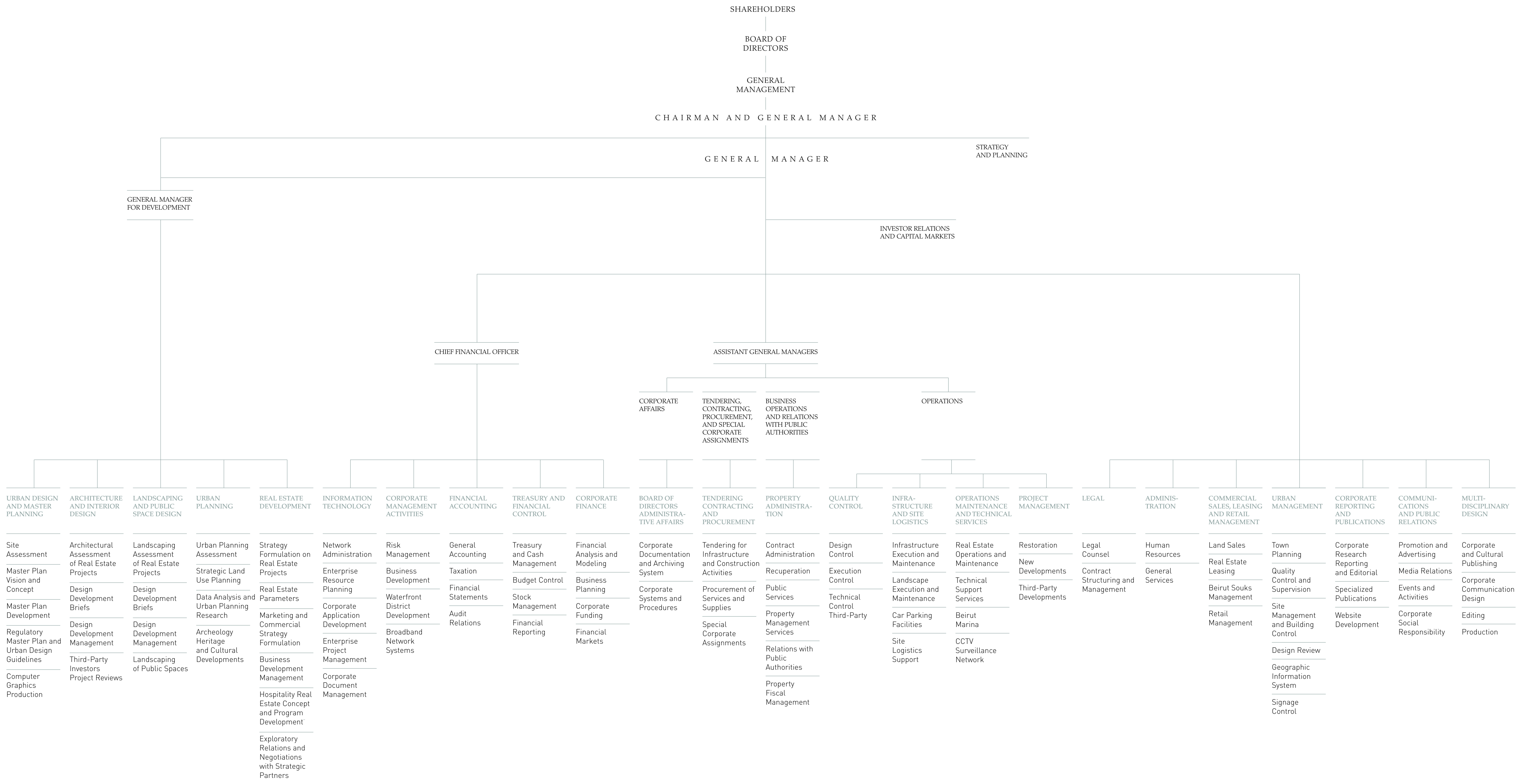
MEMBER OF THE BOARD
Mosbah Kanafani

MEMBER OF THE BOARD
Joseph Asseily

MEMBER OF THE BOARD
Maher Daouk

Corporate Structure

Organizational Chart



Independent Auditors' Report

Consolidated Financial Statements

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To the shareholders

The Lebanese Company for the Development
and Reconstruction of Beirut Central District s.a.l.
Beirut - Lebanon

We have audited the accompanying consolidated financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. (the Company) and its Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. and its Subsidiaries (the Group) as of December 31, 2011, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May 3, 2012

Deloitte & Touche
Deloitte & Touche

Ernst & Young
Ernst & Young

Consolidated Statement of Financial Position

the accompanying notes form an integral part of these consolidated financial statements

DECEMBER 31,	Notes	2011 US$	2010 US$
ASSETS			
Cash and banks balances	7	174,138,680	169,564,738
Prepayments and other debit balances	8	46,546,014	43,677,844
Accounts and notes receivables, net	9	551,341,792	486,815,229
Inventory of land and projects in progress	10	1,178,348,256	1,084,206,651
Investment properties, net	11	444,629,160	442,977,615
Investment in associates	12	317,731,762	313,904,171
Fixed assets, net	13	70,316,628	59,281,393
Total Assets		**2,783,052,292**	**2,600,427,641**
LIABILITIES			
Bank overdrafts and short term facilities	14	520,049,200	472,487,000
Accounts payable and other liabilities	15	143,696,638	148,939,521
Dividends payable	16	84,195,863	86,327,877
Deferred revenue and other credit balances	17	29,058,568	46,210,145
Loans from banks and financial institutions	18	70,095,747	8,248,520
Total Liabilities		847,096,016	762,213,063
SHAREHOLDERS' EQUITY			
Issued capital at par value US$10 per share:	19		
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	20	148,210,183	131,952,540
Retained earnings		263,104,931	267,233,047
Cumulative foreign currency translation reserve		(295,169)	(150,786)
Surplus on treasury shares' activity		10,166,079	13,770,056
Less: Treasury shares	21	(134,915,772)	(224,507,599)
Total equity attributable to the owners of the parent		1,936,270,252	1,838,297,258
Non-controlling interest	22	(313,976)	(82,680)
Total Equity		1,935,956,276	1,838,214,578
Total Liabilities and Shareholders' Equity		**2,783,052,292**	**2,600,427,641**

Consolidated Statement of Income

the accompanying notes form an integral part of these consolidated financial statements

YEAR ENDED DECEMBER 31,	Notes	2011 US$	2010 US$
Revenues from land sales		241,722,548	337,229,705
Revenues from rented properties		49,862,775	41,249,180
Revenues from rendered services	23	5,280,128	3,955,044
Revenues from hospitality		6,681,294	44,110
Cost of land sales		(39,344,564)	(78,665,227)
Charges on rented properties	24	(21,166,871)	(26,980,226)
Cost of rendered services	25	(5,901,952)	(3,967,908)
Cost of hospitality		(9,896,404)	(354,909)
Gain on sale of investment properties		625,809	-
Net revenues from operations		227,862,763	272,509,769
Share result from an associate	12	3,967,997	2,670,655
General and administrative expenses	26	(38,196,142)	(42,714,820)
Depreciation of fixed assets	13	(6,422,073)	(3,934,143)
Other expenses	28	(5,066,404)	(2,486,661)
Other income		613,570	204,175
Taxes, fees and stamps		(2,874,543)	(4,455,159)
Interest income	27	24,687,011	21,603,900
Interest expense from banks		(21,081,965)	(12,607,974)
Profit before tax		183,490,214	230,789,742
Income tax expense	15	(24,691,842)	(35,288,373)
Profit for the year		**158,798,372**	**195,501,369**
Basic/diluted earnings per share	29	**1.0285**	**1.2847**
Attributable to:			
Equity owners of the parent		159,029,668	195,588,029
Non-controlling interest		(231,296)	(86,660)
Profit for the year		**158,798,372**	**195,501,369**

Consolidated Statement of Comprehensive Income

the accompanying notes form an integral part of these consolidated financial statements

YEAR ENDED DECEMBER 31,	Notes	2011 US$	2010 US$
Profit for the year		158,798,372	195,501,369
OTHER COMPREHENSIVE INCOME			
Foreign currency translation reserve	12	(144,383)	(231,795)
Other comprehensive loss for the year		(144,383)	(231,795)
Total comprehensive income		**158,653,989**	**195,269,574**
Attributable to:			
Equity owners of the parent		158,885,285	195,356,234
Non-controlling interest		(231,296)	(86,660)
		158,653,989	195,269,574

Consolidated Statement of Changes in Equity

the accompanying notes form an integral part of these consolidated financial statements

	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT								
	SHARE CAPITAL US$	LEGAL RESERVE US$	RETAINED EARNINGS US$	CUMULATIVE FOREIGN CURRENCY TRANSLATION RESERVE US$	SURPLUS ON TREASURY SHARES' ACTIVITY US$	TREASURY SHARES US$	TOTAL US$	NON-CONTROLLING INTEREST US$	TOTAL US$
Balance at December 31, 2009	1,650,000,000	112,304,146	266,525,826	81,009	11,723,032	(230,672,181)	1,809,961,832	-	1,809,961,832
Allocation to legal reserve from 2010 profit	-	19,648,394	(19,648,394)	-	-	-	-	-	-
Total comprehensive income	-	-	195,588,029	(231,795)	-	-	195,356,234	(86,660)	195,269,574
Surplus on treasury shares' activity	-	-	-	-	2,047,024	-	2,047,024	-	2,047,024
Treasury shares trade	-	-	-	-	-	6,164,582	6,164,582	-	6,164,582
Other	-	-	(3,980)	-	-	-	(3,980)	3,980	-
Dividends - Note 16	-	-	(175,228,434)	-	-	-	(175,228,434)	-	(175,228,434)
Balance at December 31, 2010	1,650,000,000	131,952,540	267,233,047	(150,786)	13,770,056	(224,507,599)	1,838,297,258	(82,680)	1,838,214,578
Allocation to legal reserve from 2011 profit	-	16,257,643	(16,257,643)	-	-	-	-	-	-
Total comprehensive income	-	-	159,029,668	(144,383)	-	-	158,885,285	(231,296)	158,653,989
Dividends - Note 16	-	-	(146,900,141)	-	(3,603,977)	89,591,827	(60,912,291)	-	(60,912,291)
Balance at December 31, 2011	**1,650,000,000**	**148,210,183**	**263,104,931**	**(295,169)**	**10,166,079**	**(134,915,772)**	**1,936,270,252**	**(313,976)**	**1,935,956,276**

Consolidated Statement of Cash Flows

the accompanying notes form an integral part of these consolidated financial statements

YEAR ENDED DECEMBER 31,	Notes	2011 US$	2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before income tax		183,490,214	230,789,742
Adjustments to reconcile income to net cash used in operating activities:			
Depreciation	30	13,538,734	11,356,377
Gain on sale of investment properties	11	(625,809)	-
Loss on sale of fixed assets		-	48,728
Loss of ownership of investment properties		1,275,219	-
Provision for problematic receivables		290,136	-
Provision for contingencies and other charges	15(d)	2,298,404	2,947,202
Deferred tax assets expensed	15(c)	-	(1,099,665)
Share result from an associate	12	(3,967,997)	(2,670,655)
Interest income	27	(24,687,011)	(21,603,900)
Interest expense	30	24,353,558	15,534,620
Changes in working capital:			
Prepayments and other debit balances		8,653,835	4,727,998
Accounts and notes receivable		(65,019,448)	(140,800,848)
Inventory of land and projects in progress	30	(103,690,054)	(41,092,919)
Accounts payable and other liabilities		3,055,245	39,212,538
Deferred revenues and other credit balances	17	(17,151,577)	(104,070,170)
Interest received		13,175,981	10,889,446
Income tax paid		(35,288,373)	(41,296,526)
Net cash used in operating activities		(298,943)	(37,128,032)
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term deposit		(269,317)	41,564,283
Pledged term deposits with banks		(19)	19
Receivable from recuperated properties		191,773	459,831
Acquisition of fixed assets	13&30	(17,500,628)	(26,438,171)
Acquisition of investment properties	11&30	(2,059,649)	(3,422,885)
Proceeds from sale of investment properties	11	1,231,472	-
Proceeds from loss of ownership of investment properties	11	1,002,330	-
Proceeds from sale of treasury shares		-	9,667,180
Investment in associates	12	(3,978)	(81,008)
Net cash (used in)/provided by investing activities		(17,408,016)	21,749,249
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans		61,847,227	6,261,497
Dividends paid	16	(63,044,305)	(159,441,603)
Treasury shares		-	(1,228,127)
Interest paid		(24,353,558)	(15,534,620)
Net cash used in financing activities		(25,550,636)	(169,942,853)
Net change in cash and cash equivalents		(43,257,595)	(185,321,636)
Cash and cash equivalents — Beginning of the year		(304,063,733)	(118,742,097)
Cash and cash equivalents — End of the year	**30**	**(347,321,328)**	**(304,063,733)**

Notes to the Consolidated Financial Statements

year ended december 31, 2011

1 *Formation and Objective of the Company*

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

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

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

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

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

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

The Company's shares are listed on the Beirut stock exchange and Global Depository Receipts (GDR) are listed on the London stock exchange (International Trading List).

2 *Adoption of New and Revised International Financial Reporting Standards (IFRSs)*

2.1 Standards and interpretations effective for the current period

The following new and revised standards and interpretations have been applied in the current year with no material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements:

> Amendments to IAS 24 *Related Party Disclosures* (as revised in 2009) modify the definition of a related party and simplify disclosures for government-related entities. The Group is not a government-related entity and the application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

> Amendments to IAS 32 *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

> Amendments to IFRIC 14 - *Prepayments of a Minimum Funding Requirement*. The amendments correct an unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The application of the amendments has had no effect on the Group's financial statements.

> IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

> Improvements to IFRSs issued in 2010 – Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS34; IFRIC 13. The application of these improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the financial statements.

2.2 Standards and Interpretations in issue but not yet effective

The Group has not applied the following new standards, amendments and interpretations that have been issued but not yet effective:

	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. Currently, the Group has not entered into such transactions.	July 1, 2011
IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at their fair values. Financial assets representing equity securities designated at fair value through profit and loss or fair value through other comprehensive income can not be reclassified after initial recognition. At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. The gain or loss that is presented in other comprehensive income includes any related foreign exchange component. Dividends on such investments are recognized in profit or loss in accordance with IAS 18 Revenue unless the dividend clearly represents a recovery of part of the cost of the investment. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity.	January 1, 2015
IFRS 10 *Consolidated Financial Statements** replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements, and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee and includes a new definition of control. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. IAS 27 *Consolidated and Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	January 1, 2013
IFRS 11 *Joint Arrangements** replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non monetary Contributions by Venturers*. IFRS 11 establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate. IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	January 1, 2013

	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 12 *Disclosure of Interests in Other Entities** is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.	January 1, 2013
IFRS 13 *Fair Value Measurement* defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. The scope of IFRS 13 is broad and applies to both financial and non-financial items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards.	January 1, 2013
Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	July 1, 2012
Amendments to IAS 12 *Income Taxes* provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property* by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.	January 1, 2012
Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	January 1, 2013
Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	January 1, 2013
Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	January 1, 2013
IAS 28 *Investment in Associates and Joint Ventures* (as revised in 2011): As a consequence of the new IFRS 11 and 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.	

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, consisting of IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that the adoption of the above Standards and Interpretations will have no material impact on the financial statements of the Group in the period of initial application, except for IFRS 9 and IFRS 13 which may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

3 *Summary of Significant Accounting Policies*

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

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

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

The consolidated financial statements incorporate the financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. and its controlled subsidiaries drawn up to December 31 of each year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions are eliminated in full.

Group entities comprise the following:

COMPANY	OWNERSHIP SHARE	DATE OF ESTABLISHMENT
Beirut Water Front Development s.a.l. (Joint Venture) (Proportionate consolidation)	50	April 2004
Beirut Real Estate Management and Services s.a.l. (Joint Venture), (Proportionate consolidation)	45	September 2005
Solidere Management Services s.a.l.	100	June 2006
Solidere Management Services (Offshore) s.a.l.	100	March 2007
Solidere International Holdings s.a.l.	100	May 2007
BHC Holding s.a.l.	100	March 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

The significant accounting policies adopted are set here below:

A. Basis of Presentation

In view of the long term nature and particulars of the Group's operations, the consolidated financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Group and which are subject to market conditions and other factors commonly associated with development projects; as such, the assets and liabilities are reflected in the statement of financial position without distinction between current and long-term classifications.

B. Foreign Currencies

The functional and presentation currency is the U.S. Dollar, in accordance with the applicable law, which reflects the economic substance of the underlying events and circumstances of the Group. Transactions denominated in other currencies are translated into U.S. Dollar at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities stated in currencies other than the U.S. Dollar are translated at the rates of exchange prevailing at the end of the year. The resulting exchange gain or loss which is not material is reflected in the consolidated statement of income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pound using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

C. Impairment and Uncollectibility of Financial Assets

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

D. Accounts and Notes Receivable

Accounts and notes receivable which are originated by the Group are stated at amortized cost less any amount written off and provisions for impairment. An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that accounts or notes receivable may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows discounted at original effective interest rates, is included in the consolidated statement of income.

The carrying amount of the asset is adjusted through the use of an allowance account.

E. Financial Instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

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

Loans and Receivables

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

Fair Value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and other pricing models.

Derecognition

Financial assets

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

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

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

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

Financial liabilities

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

Offsetting

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

F. 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.

G. Investment Properties

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

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

Buildings	*2%*
Furniture, fixtures, equipment and other assets	*4%-15%*

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

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

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

H. Interest in Joint Ventures

The Group has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognizes its share in joint ventures by using the proportionate consolidation method.

Investments in joint ventures are accounted for in the standalone financial statements using historical cost net of any impairment loss. Impairment loss is recognized in the statement of income.

The Group consolidates its share in assets, liabilities, revenues and expenses with related captions in the consolidated financial statements.

Financial statements of joint ventures are prepared for the same fiscal year, using the same accounting policies.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group sells assets to the joint venture, the Group does not recognize its share of the profits from the transaction until the joint venture resells the assets to an independent party.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

I. Investments in Associates

The Group's investments in associates are accounted for under the equity method of accounting. These are entities over which the Group exercises significant influence and which are neither subsidiaries nor joint ventures.

Under the equity method of accounting, the interest in the associate is carried in the consolidated statement of financial position at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the individual investment.

J. Fixed Assets

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

Buildings	*2%*
Marina	*2%*
Furniture and fixtures	*9%*
Freehold improvements	*9%*
Plant	*10%*
Machines and equipment	*15%-20%*

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

K. Impairment of Tangible Assets

At each consolidated statement of financial position date, the carrying amounts of tangible assets (investment properties and fixed assets) 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 statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The impairment loss is recognized in the consolidated statement of income.

L. Treasury Shares

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

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

M. Revenue Recognition

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

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

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

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

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

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

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

Revenue from hospitality consist mainly of foods and beverage revenue, are recognized when the related services are provided.

N. Cost of Sales

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

O. Cash and Cash Equivalents

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

P. Borrowing Costs

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

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

Q. 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.

R. 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 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.

S. Taxation

Current Tax
Income tax is determined and provided for in accordance with the Lebanese tax laws. Income tax expense is calculated based on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of 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 Group's liability for current tax is calculated using tax rates enacted at the consolidated statement of financial position date. Provision for income tax is reflected in the consolidated statement of financial position net of taxes previously settled in the form of withholding tax.

Tax on the holding subsidiary is provided for in accordance with Article 6 of Legislative Decree number 45 dated June 24, 1983 (as adjusted in decree number 89 dated September 7, 1991). The tax is capped at USD3,317 (LBP5million).

Tax on the offshore subsidiary is provided for in accordance by Legislative Decree number 46 dated June 24, 1983 amended by Decree number 85 dated September 7, 1991. The tax is set at a flat rate of USD663 (LBP1million).

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

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

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

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

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

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

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

Value added tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT except:

> Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation 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; and
> Receivables and payables that are stated with the amount of VAT included.

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

T. Provisions

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

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

U. Employees' End-of-Service Benefits

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

4 *Critical Accounting Judgments and Use of Estimates*

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

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

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

Impairment of Accounts and Notes Receivable

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

Useful Lives of Fixed Assets and Investment Properties

The Group's management determines the estimated useful lives of its fixed assets for calculating depreciation. The estimate is determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

5 *Interest in Joint Ventures*

The Group has interest in joint ventures as follows:

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

As per the terms of the agreement, on December 31, 2005, the Group sold properties with an aggregate cost of US$ 10,100,000 from properties held for development and sale, to the joint venture for a total consideration of US$ 31,600,000. The other venturer contributed in cash an amount of US$ 31,600,000 to the joint venture.

(b) The Group entered into a joint venture agreement on December 23, 2005, with Aswaq Management and Services L.L.C. to establish Beirut Real Estate Management and Services s.a.l. (BREMS), with a 45% stake in the joint venture's capital amounting to US$19,900. The main activity of the joint venture is to manage and market "Beirut Souks" which is owned by the Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. On December 7, 2011, the board of directors of BREMS resolved to cease the operations of the company as of January 2012.

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities at December 31, 2011 and 2010, included in the consolidated financial statements, are as follows:

DECEMBER 31,	2011 US$	2010 US$
ASSETS		
Cash and bank balances	1,467,201	2,155,460
Prepayments and other debit balances	3,330,744	2,647,528
Accounts and notes receivables, net	14,222	-
Inventory of land and projects in progress	46,225,752	28,842,511
Fixed assets, net	97,835	86,955
	51,135,754	33,732,454
LIABILITIES		
Bank overdrafts and short term facilities	221,749	644,338
Accounts payable and other liabilities	9,098,683	3,193,528
Deferred revenue and other credit balance	2,716,288	64,524
Loans from banks and financial institutions	20,095,747	8,248,520
	32,132,467	12,150,910

INCOME AND EXPENSES	2011 US$	2010 US$
Revenues from consulting services	103,090	259,179
General and administrative expenses	(1,258,731)	(634,217)
Depreciation	(25,825)	(24,627)
Other expenses	(127,448)	-
Other income	49,966	2,150
Other taxes	(109,995)	(77,234)
Interest income	141,259	143,539
Interest expense	(15,871)	(8,845)
Loss for the year before income tax	(1,243,555)	(340,055)
Income tax	(38,556)	(49,002)
Loss for the year	**(1,282,111)**	**(389,057)**

6 *Operating Segment*

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

> Real estate sales
> Real estate rental
> Hospitality

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

	REAL ESTATE SALES US$	REAL ESTATE RENTAL US$	HOSPITALITY US$	TOTAL US$
2011				
Total assets	2,277,216,817	478,022,891	27,812,584	2,783,052,292
Total liabilities	675,623,040	145,498,986	25,973,990	847,096,016
2010				
Total assets	2,117,736,329	469,454,447	13,236,865	2,600,427,641
Total liabilities	618,985,591	137,602,103	5,625,369	762,213,063

	REAL ESTATE SALES US$	REAL ESTATE RENTAL US$	HOSPITALITY US$	TOTAL US$
2011				
Revenues	247,002,676	49,862,775	6,681,294	303,546,745
Cost of revenues	(45,246,516)	(21,166,871)	(9,896,404)	(76,309,791)
Gain on sale of investment properties	-	625,809	-	625,809
Net revenues from operations	201,756,160	29,321,713	(3,215,110)	227,862,763
Share results from associates	3,967,997	-	-	3,967,997
General and administrative expenses	(36,519,310)	(601,766)	(1,075,066)	(38,196,142)
Depreciation of fixed assets	(5,124,270)	-	(1,297,803)	(6,422,073)
Other taxes	(2,703,534)	-	(171,009)	(2,874,543)
Other expenses	(5,054,664)	-	(11,740)	(5,066,404)
Other income	566,603	-	46,967	613,570
Interest income	24,642,878	-	44,133	24,687,011
Interest expense	(20,988,686)	-	(93,279)	(21,081,965)
Profit before tax	160,543,174	28,719,947	(5,772,907)	183,490,214
Income tax expense	(24,691,842)	-	-	(24,691,842)
Profit for the year	**135,851,332**	**28,719,947**	**(5,772,907)**	**158,798,372**

	REAL ESTATE SALES US$	REAL ESTATE RENTAL US$	HOSPITALITY US$	TOTAL US$
2010				
Revenues	341,184,749	41,249,180	-	382,433,929
Cost of revenues	(82,633,135)	(26,980,226)	-	(109,613,361)
Net revenues from operations	258,551,614	14,268,954	-	272,820,568
Share results from associates	2,670,655	-	-	2,670,655
General and administrative expenses	(40,156,020)	(410,172)	(2,148,628)	(42,714,820)
Depreciation of fixed assets	(3,914,722)	-	(19,421)	(3,934,143)
Other taxes	(4,368,112)	-	(87,047)	(4,455,159)
Other expenses, net	(2,385,024)	-	(412,436)	(2,797,460)
Other income	204,175	-	-	204,175
Interest income	21,328,852	-	275,048	21,603,900
Interest expense	(12,607,974)	-	-	(12,607,974)
Profit/(loss) before tax	219,323,444	13,858,782	(2,392,484)	230,789,742
Income tax expense	(35,288,373)	-	-	(35,288,373)
Profit/(loss) for the year	**184,035,071**	**13,858,782**	**(2,392,484)**	**195,501,369**

The Group's revenues, profits, total assets and total liabilities are segregated by geographical area as follows:

	LEBANON US$	MIDDLE EAST US$	EUROPE US$	TOTAL US$
2011				
Revenues	303,546,745	-	-	303,546,745
Profit for the year	154,830,375	3,967,997	-	158,798,372
Total assets	2,462,737,431	317,731,762	2,583,099	2,783,052,292
Total liabilities	847,096,016	-	-	847,096,016
2010				
Revenues	382,433,929	-	-	382,433,929
Profit for the year	192,830,714	2,670,655	-	195,501,369
Total assets	2,280,094,509	313,904,171	6,428,961	2,600,427,641
Total liabilities	762,213,063	-	-	762,213,063

7 *Cash and Bank Balances*

DECEMBER 31,	2011 US$	2010 US$
Cash on hand	176,840	124,451
Current accounts	19,307,100	14,407,283
Short term deposits	154,157,060	154,976,023
Checks for collection	440,680	-
	174,081,680	169,507,757
Pledged term deposits	57,000	56,981
	174,138,680	169,564,738

Short term deposits mature between January and March 2012 (December 31, 2010: Short term deposits mature between January and March 2011). The average yield on the term deposits for the year ended December 31, 2011 was approximately 4.16% (4.57% for the year ended December 31, 2010).

8 *Prepayments and Other Debit Balances*

DECEMBER 31,	2011 US$	2010 US$
Advance payments to contractors	17,161,217	16,481,850
Advances to employees	2,714,195	3,116,885
Accrued interest income (a)	11,583,120	10,714,454
Prepaid expenses	6,677,383	4,255,998
Deferred tax assets (b)	1,612,500	1,612,500
Due from related parties (c)	1,488,505	946,484
Other debit balances	5,309,094	6,549,673
	46,546,014	43,677,844

(a) Accrued interest income consists of the following:

DECEMBER 31,	2011 US$	2010 US$
Interest on bank deposits	1,099,991	1,070,533
Interest on notes and accounts receivables	10,483,129	9,643,921
	11,583,120	10,714,454

(b) This caption represents deferred tax assets on unrealized profits from sales to a joint venture Note 5 (a).

(c) Due from related parties consists of the following:

DECEMBER 31,	2011 US$	2010 US$
Solidere International Limited	1,488,505	489,440
City Makers s.a.r.l	-	450,294
Brems International s.a.l. (Offshore)	6,750	6,750
Less: provision for doubtful balances	(6,750)	-
	1,488,505	946,484

The above balances are interest free.

9 *Accounts and Notes Receivable, Net*

DECEMBER 31,	2011 US$	2010 US$
Notes receivable	494,877,861	424,524,580
Accounts receivable	119,989,346	109,644,463
Receivables from tenants	33,393,731	26,487,808
Less: Unearned interest	(87,177,690)	(64,390,302)
Less: Provision for problematic receivables	(741,456)	(451,320)
Less: Provision for impairment on collectively assessed accounts receivable	(9,000,000)	(9,000,000)
	551,341,792	486,815,229

The Group's credit risk exposure is spread mainly over 48 counter-parties; 10 customers constitute 93% of the total exposure and 38 customers constitute the remaining 7% as of December 31, 2011 (as of December 31, 2010, 52 counter-parties; 5 customers constitute 82% of the total exposure and 47 customers constitute the remaining 18%).

Notes receivable, which resulted mainly from sales carry the following maturities:

DECEMBER 31,	2011 US$	2010 US$
Doubtful balances	617,272	617,272
Overdue	31,212,527	42,244,341
2011	-	101,819,251
2012	89,486,613	88,072,871
2013	85,129,316	72,695,470
2014	83,170,219	51,665,375
2015 and above	205,261,914	67,410,000
	494,877,861	424,524,580

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

10 *Inventory of Land and Projects in Progress*

DECEMBER 31,	2011 US$	2010 US$
Land and land development works, net (a)	997,660,170	975,933,846
Real estate development projects, net (b)	180,688,086	108,272,805
	1,178,348,256	1,084,206,651

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

DECEMBER 31,	2011 US$	2010 US$
Acquired properties (a.1)	967,201,064	967,608,697
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	777,395,720	723,490,635
Eviction costs (a.4)	260,242,988	260,242,988
Capitalized costs (a.5)	69,553,153	62,056,340
Cumulative costs	2,083,805,727	2,022,811,462
Less: Cost of land sold, net	(946,936,702)	(907,668,761)
Less: Cost of land transferred to real estate development projects	(132,855,734)	(132,855,734)
Less: Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
	997,660,170	**975,933,846**

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

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

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

a.3 Infrastructure costs consists of the following:

DECEMBER 31,	2011 US$	2010 US$
Sea front defense	288,886,655	277,938,625
Work executed in the traditional BCD area	160,248,695	153,974,364
Land reclamation and treatment	98,314,581	91,741,772
Electricity power station	42,270,889	41,920,403
Borrowing costs	43,305,585	42,147,789
Other costs	144,369,315	115,767,682
	777,395,720	**723,490,635**

a.4 Eviction costs represent the costs of relocating previous settlers out of the BCD area which were mainly paid through the Central Fund for the Displaced (a public authority). This caption is stated net of US$22.2million as of December 31, 2011 (US$22.2million as of December 31, 2010) representing a 10% charge on recuperated properties appraised values collected from original owners other than religious and governmental recuperated properties.

a.5 Capitalized costs represent allocation of direct overheads. Costs capitalized during the year ended December 31, 2011 amounted to US$8.2million (US$7.6million for the year ended December 31, 2010).

(b) Real estate development projects include the following:

DECEMBER 31,	2011 US$	2010 US$
Construction and rehabilitation of buildings	642,646,989	560,683,259
Cost of land	133,244,015	133,244,015
Cumulative costs	775,891,004	693,927,274
Less: Cost transferred to investment properties, net	(521,379,645)	(511,831,196)
Cost transferred to fixed assets	(29,659,018)	(29,659,018)
Cost of real estate sold	(44,164,255)	(44,164,255)
	180,688,086	**108,272,805**

During 2011, the Group transferred an amount of US$9,548,449 (US$79,214,348 during 2010) to investment properties representing the cost of land, building and other assets of the "Beirut Souks" project (Note 11).

11 *Investment Properties, Net*

BALANCE AS AT DECEMBER 31,	2010 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	2011 US$
COST					
Land	92,450,011	-	-	(959,938)	91,490,073
Buildings	350,937,563	898,452	9,548,449	(2,251,713)	359,132,751
Other assets	34,676,699	1,161,197	43,320	(20,367)	35,860,849
	478,064,273	**2,059,649**	**9,591,769**	**(3,232,018)**	486,483,673
ACCUMULATED DEPRECIATION					
Buildings	29,842,158	5,378,602	-	(329,605)	34,891,155
Other assets	5,244,500	1,738,059	-	(19,201)	6,963,358
	35,086,658	**7,116,661**	**-**	**(348,806)**	41,854,513
Net Book Value	**442,977,615**				**444,629,160**

BALANCE AS AT DECEMBER 31,	2009 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	2010 US$
COST					
Land	92,450,011	-	-	-	92,450,011
Buildings	269,353,253	706,590	80,877,720	-	350,937,563
Other assets	31,960,404	2,716,295	-	-	34,676,699
	393,763,668	**3,422,885**	**80,877,720**	**-**	478,064,273
ACCUMULATED DEPRECIATION					
Buildings	24,086,572	5,755,586	-	-	29,842,158
Other assets	3,577,852	1,666,648	-	-	5,244,500
	27,664,424	**7,422,234**	**-**	**-**	35,086,658
Net Book Value	**366,099,244**				**442,977,615**

Investment properties include rented and available for rent properties. These represent "Beirut Souks", 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.

During the year ended December 31, 2011, the Group transferred US$9,548,449 from real estate development projects to investment properties (US$79,214,348 for the year ended December 31, 2010) representing the cost allocated to the "Beirut Souks" project (Note 10 (b)).

During the year ended December 31, 2011, the Group transferred US$43,320 from fixed assets to investment properties (US$1,663,372 for the year ended December 31, 2010) (Note 13).

During the year ended December 31, 2011, the Group lost the ownership of a property having an aggregate net book value of US$1,693,234 for total proceeds of US$1,002,330 which resulted in a loss of US$690,904 recorded under "Loss of ownership of investment properties" under "Other expenses" caption in the consolidated statement of income (Note 28). Furthermore, the Group recorded a loss representing the net rental revenue related to the property from June 2008 to April 2011 amounting to US$583,121 recorded under "Loss of ownership of investment properties" under "Other expenses" caption in the consolidated statement of income (Note 28).

Other disposals of other assets resulted in a loss of US$1,194 recorded under "Loss of ownership of investment properties" under "Other expenses" (Note 28).

Depreciation for investment properties in the amount of US$7,116,661 for the year 2011 (US$7,422,234 for the year 2010) is recorded under "Charges on rented properties" in the consolidated statement of income (Note 24).

The fair value of the investment properties is estimated by management at approximately US$1.26billion based on current market prices (US$1.26billion as of December 31, 2010). There has been no valuation of these properties by an independent valuer.

12 *Investment in Associates*

DECEMBER 31,	2011 US$	2010 US$
Solidere International Limited (SI)	317,727,785	313,904,171
Other	3,977	-
	317,731,762	**313,904,171**

Details of the Group's associate SI are as follows:

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST %	COST US$	2011 GROUP'S SHARE OF EQUITY US$	COST US$	2010 GROUP'S SHARE OF EQUITY US$
Solidere International Limited	**UAE**	**38.98**	**237,209,580**	**317,727,785**	**237,209,580**	**313,904,171**

Summarized financial information in respect of the Group's associate is set out below:

DECEMBER 31,	2011 US$	2010 US$
Total assets	875,440,867	868,047,357
Total liabilities	(4,720,441)	(4,859,808)
Non-controlling interest	(55,559,716)	(57,836,682)
Net assets	**815,160,710**	**805,350,867**
Group's share of net assets	**317,727,785**	**313,904,170**
Initial price of investment	**237,209,580**	**237,209,580**
Group's share of results	**3,967,997**	**2,670,655**
Group's share of comprehensive loss	**(144,383)**	**(231,795)**
Carrying amount of the investment	**317,727,785**	**313,904,171**

During the first half of the year 2007, Solidere established Solidere International Holdings s.a.l. (SIH) which in turn established Solidere International Limited (SI) in the Dubai International Financial Center (DIFC) with an initial capital of US$50,000. The main activity of SI is to promote, invest in, develop, market and manage, as well as provide consulting services with respect to real estate projects outside the Beirut Central District area of Lebanon. During the same year, SIH raised additional funds for SI through a private placement.

As a result of the private placement SI's share capital and share premium amounted to US$700,050,000 out of which SIH settled US$216million against an ownership percentage of 37.19%.

The private placement memorandum and other signed agreements between Solidere and SI stipulate that Solidere and Solidere Management Services s.a.l. will transfer to SI all the projects that they had outside the Lebanese territories. In addition, Solidere will grant SI the right to use the Solidere brand name through a license agreement and a none compete right.

On June 7, 2007, the Group further subscribed into the capital of Solidere International Limited for an amount of US$3,000,060 representing a 0.4286% equity stake.

During 2008, the Group increased its direct ownership in Solidere International Limited to 38.18% by acquiring 66,849 shares for an amount of US$10,784,850.

During 2009, the Group increased its direct ownership in Solidere International Limited to 38.98% by acquiring 86,900 shares for an amount of US$6,997,000.

13 *Fixed Assets, Net*

Fixed assets are composed of the following:

BALANCE AS AT DECEMBER 31,	2010 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	2011 US$
COST					
Land	5,722,047	-	-	-	5,722,047
Buildings	20,580,049	3,098,069	-	-	23,678,118
Marina	7,866,624	-	-	-	7,866,624
Furniture and fixture	5,565,204	4,470,894	-	-	10,036,098
Freehold improvements	12,685,396	7,770,200	6,261,266	-	26,716,862
Machines and equipment	33,969,107	2,161,465	-	-	36,130,572
Advances on fixed assets	4,180,894	-	(3,816,668)	-	364,226
Work in progress	2,487,918	-	(2,487,918)	-	-
	93,057,239	**17,500,628**	**(43,320)**	**-**	**110,514,547**
ACCUMULATED DEPRECIATION					
Buildings	2,915,757	316,894	-	-	3,232,651
Marina	704,456	157,457	-	-	861,913
Furniture and fixture	2,845,147	569,561	-	-	3,414,708
Freehold improvements	3,331,787	1,370,014	-	-	4,701,801
Machines and equipment	23,978,699	4,008,147	-	-	27,986,846
	33,775,846	**6,422,073**	**-**	**-**	**40,197,919**
Net Book Value	**59,281,393**				**70,316,628**

BALANCE AS AT DECEMBER 31,	2009 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	2010 US$
COST					
Land	5,080,192	-	641,855	-	5,722,047
Buildings	13,180,361	5,889,767	1,646,731	(136,810)	20,580,049
Marina	7,866,624	-	-	-	7,866,624
Furniture and fixture	3,471,137	2,094,067	-	-	5,565,204
Freehold improvements	4,536,819	9,811,949	(1,663,372)	-	12,685,396
Machines and equipment	31,995,531	1,973,576	-	-	33,969,107
Advances on fixed assets	-	4,180,894	-	-	4,180,894
Work in progress	-	2,487,918	-	-	2,487,918
	66,130,664	**26,438,171**	**625,214**	**(136,810)**	**93,057,239**
ACCUMULATED DEPRECIATION					
Buildings	2,590,442	413,397	-	(88,082)	2,915,757
Marina	704,456	-	-	-	704,456
Furniture and fixture	2,646,462	198,685	-	-	2,845,147
Freehold improvements	3,150,621	181,166	-	-	3,331,787
Machines and equipment	20,837,804	3,140,895	-	-	23,978,699
	29,929,785	**3,934,143**	**-**	**(88,082)**	33,775,846
Net Book Value	**36,200,879**				**59,281,393**

During the year ended December 31, 2011, the Group transferred US$43,320 from fixed assets to investment properties (US$1,663,372 for the year ended December 31, 2010) (Note 11).

During the year ended December 31, 2010, the Group transferred US$2,288,586 from real estate development projects to fixed assets.

The depreciation for the year ended December 31, 2011 and 2010 was charged to the consolidated statement of income.

14 *Bank Overdrafts and Short Term Facilities*

Bank overdrafts and short term facilities consist of the following:

DECEMBER 31,	2011 US$	2010 US$
Bank overdrafts	89,746,974	86,144,258
Short term facilities	430,302,226	386,342,742
	520,049,200	**472,487,000**

In 2011, the Group renewed its US$40 million credit facility with a local bank (2010: US$40million). The facility is subject to an interest rate of three-month Libor plus 1.5% but not less than 4.25% paid quarterly (2010: three-month Libor plus 1.5% but not less than 4.25%). The covenants of the agreement stipulate that the Group maintain a maximum debt to equity ratio and banks' loans, overdraft, and facilities to equity ratio of 2:1 and 4:1 respectively.

On September 27, 2010, the Group renewed two credit facility agreements, amounting to US$75million and US$35 million respectively, signed in 2007 with a local bank. These facilities are subject to a fixed interest rate of 5% p.a paid monthly. The covenants of the agreements stipulate that the Group maintain a maximum debt to equity ratio of 1:4 and a minimum equity balance of US$1billion. The maturity of these loans was extended from February 3, 2011 to August 3, 2012.

On September 23, 2010, the Group signed a US$100million short term facility with a local bank. This facility is subject to a fixed interest rate of 4.125% p.a. paid quarterly. The maturity of this facility was extended from October 2011 to March 2012.

On August 9, 2010, the Group renewed, with the same bank, its US$60million one year credit facility. The facility is subject to an interest rate of three-month Libor plus 1.5% but not less than 4.5% p.a paid quarterly. The covenants of the agreement stipulate that the Group maintain a maximum debt to equity ratio and banks' loans, overdraft, and facilities to equity ratio of 2:1 and 4:1 respectively.

The covenants of both facilities stipulate that the Group maintain a minimum of US$75million in notes and accounts receivables and maintain a minimum of 750,000 squared meters of built properties and US$1billion in net tangible assets free from any liens. The maturity of these facilities was extended to February 10, 2012 and February 17, 2012, respectively.

On July 31, 2009, the Group signed a US$50 million credit facility with a local bank subject to an interest rate of three-month Libor plus 1.75% with a minimum of 5% p.a paid monthly. As of December 31, 2009, the Group utilized US$ 19.9million of this facility. This facility matured on July 31, 2010 but was renewed for another year. On July 5, 2011 the Group signed a US$100million credit facility (in replacement of the facility of US$50million) subject to an interest rate of three-months Libor plus 2% with a minimum 5.25% p.a. paid quarterly. The covenants of the facility stipulate a minimum equity of US$1billion, a minimum equity to asset ratio of 40% and a minimum debt to equity ratio of 5%. The facility matures on July 31, 2012.

15 *Accounts Payable and Other Liabilities*

Accounts payable and other liabilities consist of the following:

DECEMBER 31,	2011 US$	2010 US$
Accounts payable (a)	68,969,445	69,945,629
Accrued charges and other credit balances (b)	18,820,774	18,071,578
Taxes payable (c)	33,420,163	41,282,024
Provision for end-of-service indemnity and other charges (d)	13,608,683	11,394,853
Provision for previously recognized sales (e)	7,007,910	7,007,910
Due to related parties (f)	482,155	216,970
Accrued interest payable	1,387,508	1,020,557
	143,696,638	**148,939,521**

(a) Accounts payable as of December 31, 2011 and 2010 include balances in the aggregate amount of US$13.8million due to the Lebanese Government in consideration of the exchange of assets agreement explained in Note 32(f).

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

DECEMBER 31,	2011 US$	2010 US$
Deposits from tenants	3,101,497	3,150,258
Accrued municipality expenses	3,326,425	5,585,045
Other	12,392,852	9,336,275
	18,820,774	**18,071,578**

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(c) Taxes payable consist of the following:

DECEMBER 31,	2011 US$	2010 US$
Accrued income tax	24,402,559	33,851,555
VAT payable	81,686	48,139
Taxes withheld	3,175,779	2,466,611
Property tax payable	5,752,935	4,908,515
Other accrued taxes	7,204	7,204
	33,420,163	**41,282,024**

Income Tax

The applicable tax rate in Lebanon is 15% according to the Lebanese tax laws.

The accrued income tax for the years 2011 and 2010 was estimated as follows:

	2011 US$	2010 US$
Profit before tax	183,490,214	230,789,742
Less: Income of subsidiaries	3,739,507	933,580
Add: Non-deductible provisions and charges	5,748,285	9,868,205
Less: Non-taxable revenues	(28,622,769)	(13,993,487)
Taxable income	164,355,237	227,598,040
Applicable tax rate	15%	15%
Accrued income tax	24,653,286	34,139,706
Add: Income tax provision for subsidiaries	38,556	49,002
Total accrued income tax	24,691,842	34,188,708
Less: Tax on interest previously settled	(289,283)	(337,153)
Accrued income tax payable	**24,402,559**	**33,851,555**
Total accrued income tax	24,691,842	34,188,708
Add: Deferred tax assets expensed	-	1,099,665
Income tax expense	**24,691,842**	**35,288,373**

The tax returns for the years 2007 until 2011 are still subject to examination and final tax assessment by the tax authorities. Any additional tax liability is subject to the results of this review.

Value Added Tax (VAT)

The VAT declarations for the years 2005 until 2011 are still subject to examination and final tax assessment by the tax authorities. Any additional tax liability is subject to the results of this review.

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

	2011 US$	2010 US$
Balance at the beginning of the year	11,394,853	8,752,141
Additions	2,298,404	2,947,202
Settlements	(84,574)	(304,490)
Balance at the end of the year	**13,608,683**	**11,394,853**

(e) During the year ended December 31, 2009, the Group booked a provision of US$7,007,910 to account for the effect of an expected loss relating to a previously recognized sale where certain legal and regulatory conditions might lead to the cancellation of this sale agreement.

(f) Due to related parties consists of the following:

DECEMBER 31,	2011 US$	2010 US$
Beirut Real Estate Management and Services s.a.l.	394,956	216,527
Mr. Selim El Zyr	605	443
Mr. Rami Ariss	8,058	-
City Markers s.a.r.l.	50,193	-
Loulyas Holding s.a.l.	28,343	-
	482,155	**216,970**

The above balances are interest free.

16 *Dividends Payable*

GENERAL ASSEMBLY DATE	DIVIDEND PER SHARE US$	DECLARED US$	SETTLED UP TO DEC. 31, 2011 US$	DEC 31, 2011 PAYABLE US$	DEC 31, 2010 PAYABLE US$
June 29, 1996	0.20	30,918,413	29,379,759	1,538,654	1,569,502
June 30, 1997	0.25	40,367,172	37,562,073	2,805,099	2,847,134
June 29, 1998	0.25	39,351,753	35,974,007	3,377,746	3,424,334
June 23, 2003	Stock dividend	19,625,550	19,606,235	19,315	19,315
June 12, 2006	0.6	94,831,106	89,854,575	4,976,531	5,349,617
June 22, 2007	1.00	155,093,702	144,615,509	10,478,193	11,227,744
July 15, 2008	1.00	155,090,832	136,989,358	18,101,474	19,306,641
July 13, 2009	1.15	176,479,957	160,768,716	15,711,241	17,360,213
July 19, 2010	1.15	175,228,434	157,227,962	18,000,472	25,223,377
August 1, 2011	0.40	60,912,291	51,725,153	9,187,138	-
August 1, 2011	Stock dividend	85,987,850	85,987,850	-	-
		1,033,887,060	**949,691,197**	**84,195,863**	**86,327,877**

The General Assembly held on August 1, 2011 decided to distribute dividends on the basis of US$0.4 per share and to distribute class (A) shares from its treasury shares on the basis of 1 share for every 30 shares for a total consideration of US$86million and issued the related share certificates. Accordingly, the Group recorded dividends payable in the amount of US$53.6million net of distribution tax in the amount of US$ 7.3million. An amount of approximately US$52million was settled up to December 31, 2011.

The General Assembly held on July 19, 2010 decided to distribute dividends on the basis of US$1.15 per share. Accordingly the Group recorded dividends payable in the amount of US$166million net of distribution tax in the amount of US$8.8million. An amount of approximately US$157million was settled up to December 31, 2011 (US$150million was settled up to December 31, 2010).

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

17 *Deferred Revenue and Other Credit Balances*

DECEMBER 31,	2011 US$	2010 US$
Cash down payments and commitments on sale contracts	5,841,989	24,767,197
Deferred rental revenue and related deposits	23,216,579	21,442,948
	29,058,568	46,210,145

Cash down payments and commitments on sale contracts include balances aggregating to approximately US$4.6million that relate to 4 sale contract with an aggregate potential gross sales value of US$46million as of December 31, 2011 (US$23.6million relating to 2 sale contracts with an aggregate potential gross sales value of US$77.5million as of December 31, 2010).

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

18 *Loans From Banks and Financial Institutions*

On October 12, 2011 the Company signed a loan agreement with a resident foreign bank for an amount of US$50million. The two years loan bears an interest of 3-months Libor + 2.5% not exceeding 3.95% p.a. Interest is computed on a quarterly basis starting the date of first withdrawal. The loan was fully withdrawn during the year 2011. The repayment of the loan will be through 4 equal semi-annual installments of US$12.5million each starting 6 months after the date of the first withdrawal. The covenants of the loan stipulate that the Company should maintain a maximum debt to equity ratio of 1:1 and a minimum current ratio of 1.2:1. Interest for the year 2011 in the amount of USD394,999 was recorded under "Interest expense from banks" in the consolidated statement of income.

During 2009, a joint venture entity of the Group signed a subsidized loan agreement with a local bank in the amount of USD9,950,249. Total loan was fully withdrawn during 2011 (US$8,883,899 as of December 31, 2010) of which 50% was reflected in the consolidated financial statements (50% proportionate consolidation). The term of the loan is seven years with 2 years, grace period, and bears an annual interest rate of 3 months Libor + 2.5% before the subsidy, not exceeding 6.5% per annum. Interest is computed on a quarterly basis starting the date of first withdrawal. Interest for the year ended December 31, 2011 in the amount of US$41 thousand (US$21 thousand for the year 2010) was capitalized under inventory of land and projects in progress (Note 10). The repayment of the entire loan will be through 19 equal quarterly installments of USD500,000 each and one last installment of USD 450,249 beginning on December 31, 2011 and ending September 30, 2016.

During 2009, a joint venture entity of the Group signed another loan agreement with the same local bank in the amount of USD30,000,000. Total withdrawals as of December 31, 2010 amounted to USD7,613,141 of which 50% was reflected in the consolidated financial statements (50% proportionate consolidation). The term of the loan is four years with two years, grace period. The loan bears an interest rate equivalent to cost of funds + 2%, not to exceed 3.9% annually. Interest is computed on a quarterly basis starting the date of the first withdrawal. Interest for the year ended December 31, 2011 in the amount of US$240thousand (US$42.45thousand for the year 2010) was capitalized under inventory of land and project in progress (Note 11). The agreement was amended during 2011 by decreasing the loan amount by US$15,000.000 to be repaid through 4 equal semi-annual repayments of US$3,750,000 each starting on December 31, 2011 and ending on June 30, 2013. The loan was fully withdrawn during 2011.

During 2011, a joint venture entity of the Group signed another loan agreement with the same local bank in the amount of USD14.9million. The term of the loan is ten years with a grace period starting on the date of first withdrawal and ending on June 30, 2013. This loan bears a fiscal annual interest rate of 2.7% per annum which may increase in case of change in the compulsory reserves requirements imposed by the Central Bank of Lebanon. Interest is computed on a quarterly basis at the end of each quarter and starting the date of first withdrawal. Interest for the year ended December 31, 2011 in the amount of US$158thousand was capitalized under inventory of land and project in progress (Note 11). The repayment of the loan will be through 32 equal quarterly installments of USD466,418 each beginning on September 30, 2013.

19 *Capital*

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

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

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

As of December 31, 2011, the Company had 13,557,687 "A" shares listed on the London Stock Exchange in the form of Global Depository Receipts (GDR) (10,796,073 "A" shares as of December 31, 2010).

20 *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.

21 *Treasury Shares*

This caption includes 7,643,249 shares class (A) and (B) as of December 31, 2011 out of which 396,344 shares represent Global Depository Receipts (GDR) (12,719,273 shares out of which 396,344 shares represent Global Depository Receipts (GDR) as of December 31, 2010).

The treasury shares outstanding as of December 31, 2011 and 2010 were stated at the weighted average cost.

According to its articles of incorporation, the Group may purchase up to 10% of its share capital without the existence of free reserves, provided that it shall resell these shares within a period not exceeding eighteen months.

As of December 31, 2011 and 2010, this caption includes 3,685,000 shares that were acquired from sale of properties.

22 *Non-Controlling Interest*

Non-controlling interest consists of the following:

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Issued capital	3,980	3,980
Retained earnings	(86,660)	-
Loss for the year	(231,296)	(86,660)
	(313,976)	(82,680)

23 *Revenues from Rendered Services*

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Services rendered to related parties (Note 31)	1,904,854	923,361
Services rendered to clients	922,293	848,825
Broadband network revenues	2,452,981	2,182,858
	5,280,128	3,955,044

24 *Charges on Rented Properties*

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Depreciation expense (Note 11)	7,116,661	7,422,234
Property taxes	5,752,935	5,100,343
Electricity	2,786,725	2,221,973
Manpower	3,563,243	1,418,954
Advertising	1,628,560	5,934,902
Maintenance and other related expenses, net	318,747	4,881,820
	21,166,871	26,980,226

25 *Cost of Services Rendered*

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Cost of services rendered to related parties	1,927,253	944,744
Cost of services rendered to clients	763,421	539,691
Broad band network cost of services rendered	3,211,278	2,483,473
	5,901,952	3,967,908

26 *General and Administrative Expenses*

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Salaries, benefits and related charges	22,503,521	25,668,493
Board of directors' remuneration	275,000	284,917
Professional services	2,419,556	2,657,697
Promotion and advertising	5,880,820	6,210,439
Utilities, office, maintenance and other similar expenses	4,200,682	3,675,875
Travel and accommodation	1,350,451	2,039,713
Establishment expenses	-	235,375
Other expenses	1,566,112	1,942,311
	38,196,142	42,714,820

The Group reallocated salaries, benefits and related charges and administrative expenses amounting to US$8.5million to construction cost during the year ended December 31, 2011 (US$7.6million during the year ended December 31, 2010).

27 *Interest Income*

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Interest income from notes and accounts receivable	19,186,689	15,024,611
Interest income from banks	5,500,322	6,579,289
	24,687,011	21,603,900

28 *Other Expenses*

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Amicable settlements	3,414,155	1,849,913
Loss on sales of fixed assets	-	48,728
Loss of ownership of investment properties (Note 11)	1,275,219	-
Other	377,030	898,819
	5,066,404	2,797,460

During 2011, the Group settled an amount of US$3.4million (US$60thousand during 2010) representing amicable settlements as a goodwill gesture for the withdrawal of claims concerning offers regarding the "Beirut Souks".

During 2010, the Group settled an amount of US$1.79million representing amicable settlements for cancellation of a rent contract.

29 *Basic/Diluted Earnings per Share*

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

The weighted average number of shares to compute basic and diluted earnings per share is 154,395,737 shares for the year 2011 (152,182,097 shares for the year 2010).

30 *Notes to the Cash Flow Statement*

(a) Depreciation was applied as follows:

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Depreciation of fixed assets - Note 13	6,422,073	3,934,143
Depreciation of investment properties - Note 11 & 24	7,116,661	7,422,234
Depreciation charge for the year	13,538,734	11,356,377

(b) Interest expense consists of the following:

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Interest charged as period cost	21,081,965	12,607,974
Interest expense allocated to inventory of land and projects in progress – Note 10	3,271,593	2,926,646
Total interest expense	**24,353,558**	**15,534,620**

(c) Non-cash transactions in operating and investing activities include transfers from inventory of land and projects in progress to investment properties in the amount of US$9,548,449 for the year ended December 31, 2011 (US$79,214,347 for the year ended December 31, 2010).

(d) During the year ended December 31, 2011, the Group transferred US$43,320 from fixed assets to investment properties (US$1,663,372 for the year ended December 31, 2010).

(e) During the year ended December 31, 2010, the Group transferred US$ 2,288,586 from real estate development projects to fixed assets.

(f) Cash and cash equivalents comprise of the following:

YEAR ENDED DECEMBER 31,	2011 US$	2010 US$
Cash	621,452	124,451
Current accounts	19,303,168	14,407,283
Short term deposits	152,803,252	153,891,533
Bank overdrafts	(520,049,200)	(472,487,000)
	(347,321,328)	(304,063,733)

31 *Related Party Transactions*

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

Cash and bank balances include US$ 59,908,080 as of December 31, 2011 (US$53,640,840 as of December 31, 2010) representing current bank accounts with a local bank who is a significant but minority shareholder of the Group.

Bank overdraft and short term facilities include US$115,629,936 as of December 31, 2011 (US$146,802,712 as of December 31, 2010) representing short term facilities with a local bank who is a significant but minority shareholder of the Group.

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

General and administrative expenses include legal fees in the amount of US$125,000 for the year ended December 31, 2011 related to one of the firm's legal counselors who is also a member in the Company's board of directors (US$120,000 for the year ended December 31, 2010).

The Group incurred various expenses on behalf of its related parties whose total net balances due from amounted to US$1,006,350 as of December 31, 2011 (US$729,514 as of December 31, 2010) (Note 8 and 15).

During 2011, the Group charged Solidere International Limited, an associate, administrative expenses amounting to US$1,904,854 (US$467,961 for the year 2010) (Note 23), in addition to an amount of US$29,459 (US$58,909 for the year 2010) representing payments on its behalf.

During 2010, the Group rendered services to City Makers s.a.r.l., a subsidiary, for an aggregate amount of US$455,400 (Note 23).

Total benefits paid to executives and members of the Board of Directors (including salary, bonus and others), included within "General and administrative expenses", for the year ended December 31, 2011 amounted to US$3,781,100 (US$4,287,222 for the year ended December 31, 2010).

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

32 *Commitments and Contingencies*

(a) An agreement between the Company and the Council for Development and Reconstruction ("CDR") was promulgated through Decree No. 5665 dated September 21, 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Company was granted 291,800m² of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Company of the sea landfill and infrastructure works.

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

(c) Commitments for contracted works not executed as of December 31, 2011 amounted to approximately US$144million (US160million as of December 31, 2010).

(d) A lawsuit was raised in 1999 against the Group by the "CDR" claiming reimbursement of an amount of LL5.4billion (US$3.6million) plus interest. This balance represents payments previously made by the "CDR" in connection with the appraisal of the properties in the BCD area and other tender documents. No provision was set up against this claim since, on the basis of the advice received from the Group's legal advisor, the directors are of the opinion that this claim is not based on sound legal grounds. During 2011, the Group paid an amount of LBP11.5billion (US$7.6million) in settlement of the above claims recorded under infrastructure costs (Note 10a).

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

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

(f) On June 7, 1997, the Group signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Group acquired additional built up area of approximately 58,000m² and 556,340 Class A shares in exchange for approximately 15,000m² and the payment of US$38.7million to restore governmental buildings. US$25million has already been paid and accounted for and the balance of US$13.8million continues to be included under accounts payable. According to the terms of the agreement, the Group undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings belonging to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined and has not been reflected in the accompanying financial statements.

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

(h) For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Group signed in 2002 an agreement with the Armenian Orthodox prelacy to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900m² against ceding of owners' shares from both lots. Additionally, a built up area of 5,335m² (US$2,700,000) remains as a contingent loss to the Group in case the prelacy decides to build this area within the next 10 years following this agreement.

(i) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US$11,275,811 as at December 31, 2011 (as at December 31, 2010 commitments and contingencies in the form of letters of guarantee and letters of credit in the amount of US$7,660,661 and US$803,656, respectively).

33 *Capital Management*

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2011 and 2010.

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

The Group monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at December 31, 2011 and 2010 was as follows:

DECEMBER 31,	2011 US$	2010 US$
Total consolidated liabilities	847,096,016	762,213,063
Less: Cash and bank balances	(174,138,680)	(169,564,738)
Total debt	672,957,336	592,648,325
Total equity	1,936,270,252	1,838,297,258
Gearing ratio	35%	32%

34 *Risk Management*

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

(a) Interest Rate Risk

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

	INCREASE/ DECREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX USD
2011		
US Dollars	+20	508,918
US Dollars	-15	381,688
2010		
US Dollars	+20	589,920
US Dollars	-15	442,440

(b) Foreign Currency Risk

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

(c) Credit Risk

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

The Group's liquid funds are placed with prime banks. Investments in securities are not covered by collaterals. Other debit balances consist mainly of amounts due from related parties.

The Group trades mostly with recognized, credit worthy third parties and monitors receivable balances and collection on an ongoing basis.

The Group's credit risk exposure is spread over 48 counter-parties; 5 customers constitute 93% of the total exposure and 38 customers constitute the remaining 7%. The maximum exposure is the carrying amount as disclosed in Note 9.

The Group's revenues, profits, total assets and total liabilities segregated by geographical area is disclosed under Note 6.

(d) Liquidity Risk

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

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

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

	NO MATURITY USD	LESS THAN 3 MONTHS USD	3-12 MONTHS USD	1 TO 5 YEARS USD	TOTAL USD
December 31, 2011					
Bank overdrafts and short term facilities	-	-	520,049,200	-	520,049,200
Accounts payable and other liabilities	8,240,809	62,160,704	28,500,664	32,085,386	130,987,563
Dividends payable	84,195,863	-	-	-	84,195,863
Deferred revenues and other credit balances	29,058,568	-	-	-	29,058,568
Loans from banks and financial institutions	-	-	17,000,000	53,095,747	70,095,747
Non-financial liabilities	12,709,075	-	-	-	12,709,075
	134,204,315	62,160,704	565,549,864	85,181,133	847,096,016
December 31, 2010					
Bank overdrafts and short term facilities	-	-	472,487,000	-	472,487,000
Accounts payable and other liabilities	8,173,926	63,849,342	37,207,303	29,213,705	138,444,276
Dividends payable	86,327,877	-	-	-	86,327,877
Deferred revenues and other credit balances	46,210,145	-	-	-	46,210,145
Loans from banks and financial institutions	-	-	-	8,248,520	8,248,520
Non-financial liabilities	10,495,245	-	-	-	10,495,245
	151,207,193	63,849,342	509,694,303	37,462,225	762,213,063

35 *Fair Value of Financial Instruments*

The fair values of financial instruments are not materially different from their carrying values.

Market value has been used to determine the fair value of listed available-for-sale assets. The fair values of loans, notes and other financial assets, and borrowings and other financial liabilities have been calculated by discounting the expected future cash flows at prevailing market interest rates.

36 *Approval of Financial Statements*

The Board of Directors approved the financial statements for the year ended December 31, 2011, on May 2, 2012.

COLOPHON

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Printing
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Binding
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solidere

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AWARDS

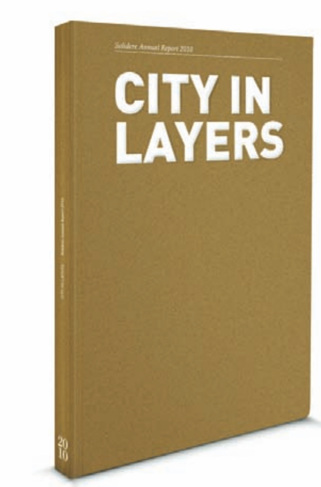
Solidere Annual Report 2009
Beirut City Center received two prestigious communication design awards:
The iF International Forum Design Award 2011 – Germany and The German Design Council Gold Award 2012.

Beirut City Center
Solidere Annual Report 2009

Solidere's prominent aim is to reemphasize Beirut city center's role after the war. The concept reveals the culmination of 15 years of reconstruction and development efforts, outlined in primary numbers, photo essays and call-outs. The report's tactile feel – white silk screen on black background with a silver overprint of Solidere's construction lines, reflects the urban intervention on the city and the contrasts of Beirut's social fabric. The combination of old style serif with bold non-serif typeface alludes to the multifaceted city that builds on various layers of time and civilizations, portraying the memory of a space and the emergence of a place.

AWARDS

Solidere Annual Report 2010
City in Layers received a prestigious communication design award:
The Red Dot Design Award: Best of the Best 2012 – Germany.



City in Layers
Solidere Annual Report 2010

16 years of destruction. 16 years of reconstruction.

The Annual Report 2010 occasions a moment of reflection. In its dedication to the lens of a single photographer, *City in Layers* reflects time, seasons, corridors and city portraits. Beirut city center is narrated through Gabriele Basilico's 1991, 2003, and 2011 images, labeled by archive numbers and punctuated by inserts. Translucent paper overlays text and image. Tranquil white terrains echo Basilico's introspection, whose work contemplates stillness while capturing urban transformation. Cotton cover wrapped with tissue suggests layers of city fabric.

The report explores a new approach to documenting Solidere's work in Beirut, a place where history, present, and future emerge and evolve in unexpected ways.