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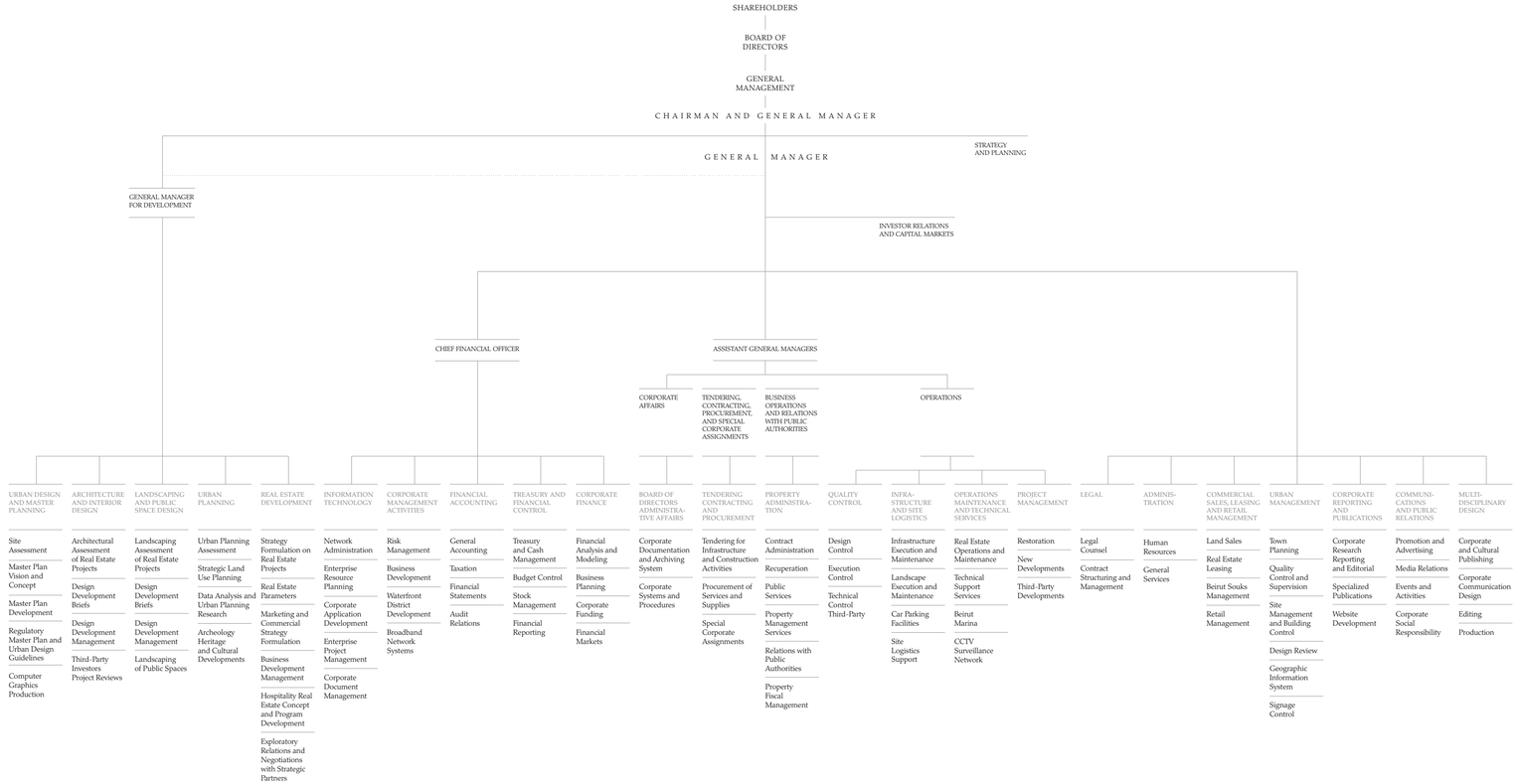
Corporate and Financial Report Solidere issues annual reports to its shareholders that summarize its activities during a specific year and highlight milestones achieved over the years.

The report includes a summary about the company's corporate finances, consolidated financial highlights, auditors' report, and consolidated financial statements.

Corporate Structure

Organizational Chart



Board of Directors
and General management

Corporate Management

CHAIRMAN
AND GENERAL MANAGER
Nasser Chammaa

VICE CHAIRMAN
Fadi Boustany

VICE CHAIRMAN
Maher Beydoun

MEMBER OF THE BOARD
AND GENERAL MANAGER
Mounir Douaidy

MEMBER OF THE BOARD
Oussama Kabbani

MEMBER OF THE BOARD
Raphael Sabbaghia

MEMBER OF THE BOARD
Raja Salemeh

MEMBER OF THE BOARD
Mosbah Kanafani

MEMBER OF THE BOARD
Joseph Asseily

MEMBER OF THE BOARD
Basile Yared

MEMBER OF THE BOARD
Maher Daouk

MEMBER OF THE BOARD
Makram Abboud

Corporate Finances

Treasury, Shares, and Investor Relations

CORPORATE FUNDING

In 2012, 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$ 163.5 million for cash and cash balances and US$ 554.1 million for accounts and notes receivable, and US$ 646.9 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.

An annualized interest rate of about 4.11% was earned on aggregate cash placements for the year.

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 slow, downward drift in share prices continued over the year as regional turmoil worsened and local political bickering intensified. Solidere shares were under pressure as well, declining throughout the year and eventually reaching a seven-year low on relatively quiet market.

The share prices witnessed a mild rally during the month of May following the release of the Company's performance results on the high end of market estimates. However, the share prices then decreased after a serious security event in the country that pulled back most market participants to the sidelines. This occurred in spite of many recommendations from reputable local and international financial institutions that estimated the value of the shares to be higher than current market prices. Toward the end of the year, another price rally succeeded in pushing the shares above their lows, helping to close the year on a positive note.

It is worth noting that the share price bounced back every time market prices neared the $12.00 level throughout the year. This represents the market's recognition of the Company's strong fundamentals, which allow it to weather this temporary period of instability in the region.

Class A shares closed the year at $13.00, representing a 9.59% decrease over the closing price of the previous year and Class B shares closed at $12.93, a 10.82% decrease from the 2011 closing level. Similarly, the GDRs traded on the London Stock Exchange closed the year down at $13.00, a 9.02% decrease compared to 2011.

Both classes of shares fluctuated between a high of $15.35 and a low of $12.04. Trading was relatively sluggish, with a total of around 10 million shares changing hands for a cumulative value of about $133 million. This represents about 6% of the Company's capital. The average daily volume was about 41,000 shares, worth around $551,000 in total. Thus, the average price for the year was about $13.22, a 14.7% decrease compared to the previous year.

DIVIDEND DISTRIBUTION

Since inception, Solidere has distributed dividends in 11 out of its 19 years of operations for a total value of US$ 1.12 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.

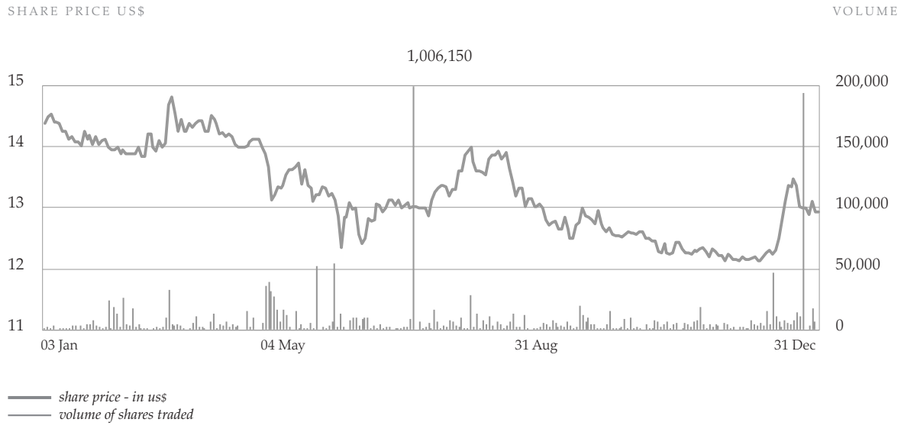
INVESTOR RELATIONS

As part of its ongoing efforts to achieve wider and more diversified exposure to the investment community, Solidere engaged with institutional investors/analysts in 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 United States, the United Kingdom and the Middle East and North Africa region.

Solidere welcomed representatives from a number of investment funds, research houses and other financial institutions throughout the year. Citi, BlomInvest, and FFA published equity coverage on the Company.

A SHARES-DAILY TRADES 2012

B SHARES-DAILY TRADES 2012



Consolidated Financial Highlights

Summary of Results

	12	11
SUMMARY OF OPERATIONS IN US$ MILLION		
Gross land sales	49.6	241.7
Gross rental income	58.1	49.9
General and administrative expenses	38.0	38.2
Net income	17.5	158.8
STOCK DATA PER SHARE IN US$		
Earnings	0.1104	1.0285
Shareholders' equity	11.92	12.3
Stock closing price range		
A shares	14.99 - 12.15	20.40 - 13.40
B shares	14.82 - 12.13	20.07 - 13.11
GDRs	15.00 - 12.00	20.24 - 13.35
FINANCIAL DATA IN US$ MILLION		
Cash and securities	163.5	174.1
Accounts and notes receivable	554.1	551.3
Inventory of land and projects in progress	1,249.0	1,178.3
Investment properties, net	457.0	444.6
Retained earnings	196.8	263.1
Legal reserves	150.4	148.2
Treasury stock	(84.2)	(134.9)
Total shareholders' equity	1,909.3	1,935.9
FINANCIAL RATIOS IN %		
Gross profit margin - land sales	85.63	83.72
Return on liquid assets	4.11	4.16
Debt to equity	37.51	30.48

Independent Auditors' Report

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

To the shareholders

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, 2012, 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, 2012, 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 27, 2013

Deloitte & Touche

Ernst & Young

Consolidated Statement of Financial Position

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

DECEMBER 31,	notes	**2012** US$	2011 US$
ASSETS			
Cash and banks balances	7	163,463,816	174,138,680
Prepayments and other debit balances	8	55,628,848	47,658,853
Accounts and notes receivables, net	9	554,078,045	551,341,792
Inventory of land and projects in progress	10	1,248,961,424	1,178,348,256
Investment properties, net	11	457,015,039	444,629,160
Investment in associates	12	314,965,852	317,731,762
Fixed assets, net	13	72,181,096	70,316,628
Total Assets		**2,866,294,120**	**2,784,165,131**
LIABILITIES			
Bank overdrafts and short term facilities	14	646,886,436	520,049,200
Accounts payable and other liabilities	15	121,132,130	144,809,477
Dividends payable	16	78,776,194	84,195,863
Deferred revenue and other credit balances	17	40,835,805	29,058,568
Loans from banks and financial institutions	18	69,320,670	70,095,747
Total Liabilities		**956,951,235**	**848,208,855**
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	150,411,796	148,210,183
Retained earnings		196,787,910	263,104,931
Cumulative foreign currency translation reserve		(470,351)	(295,169)
(Deficit)/surplus on treasury shares' activity		(2,446,798)	10,166,079
Less: Treasury shares	21	(84,210,286)	(134,915,772)
Total equity attributable to the owners of the parent		1,910,072,271	1,936,270,252
Non-controlling interest	22	(729,386)	(313,976)
Total Equity		1,909,342,885	1,935,956,276
Total Liabilities and Shareholders' Equity		**2,866,294,120**	**2,784,165,131**

Consolidated Statement of Income

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

YEAR ENDED DECEMBER 31,	notes	**2012** US$	2011 US$
Revenues from land sales		49,580,377	241,722,548
Revenues from rented properties		58,132,896	49,862,775
Revenues from rendered services	23	6,141,662	5,280,128
Revenues from hospitality		6,593,970	6,681,294
Cost of land sales		(7,122,763)	(39,344,564)
Charges on rented properties	24	(27,541,099)	(21,166,871)
Cost of rendered services	25	(6,855,684)	(5,901,952)
Cost of hospitality		(10,590,675)	(9,896,404)
Gain on sale and disposal of investment properties		4,376,528	625,809
Net revenues from operations		72,715,212	227,862,763
Share result from associates	12	3,266,683	3,967,997
General and administrative expenses	26	(37,960,180)	(38,196,142)
Depreciation of fixed assets	13	(8,160,418)	(6,422,073)
Provision for contingencies	15	(7,986,410)	-
Other expenses	28	(233,877)	(5,066,404)
Other income		587,656	613,570
Taxes, fees and stamps	15(c)	(3,956,465)	(2,874,543)
Interest income	27	29,077,466	24,687,011
Interest expense		(27,496,818)	(21,081,965)
Profit before tax		19,852,849	183,490,214
Income tax expense	15	(2,322,812)	(24,691,842)
Profit for the year		**17,530,037**	**158,798,372**
Basic/diluted earnings per share	29	**0.1104**	**1.0285**
Attributable to:			
Equity owners of the parent		17,945,447	159,029,668
Non-controlling interest		(415,410)	(231,296)
Profit for the year		**17,530,037**	**158,798,372**

Consolidated Statement of Comprehensive Income

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

YEAR ENDED DECEMBER 31,	notes	2012 US$	2011 US$
Profit for the year		17,530,037	158,798,372
Other comprehensive income:			
Foreign currency translation reserve	12	(175,182)	(144,383)
Other comprehensive loss for the year		(175,182)	(144,383)
Total comprehensive income		**17,354,855**	**158,653,989**
Attributable to:			
Equity owners of the parent		17,770,265	158,885,285
Non-controlling interest		(415,410)	(231,296)
		17,354,855	**158,653,989**

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$	(DEFICIT) SURPLUS ON TREASURY SHARES' ACTIVITY US$	TREASURY SHARES US$	TOTAL US$	NON-CONTROLLING INTEREST US$	TOTAL US$
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
Allocation to legal reserve from 2012 profit	-	2,201,613	(2,201,613)	-	-	-	-	-	-
Total comprehensive income	-	-	17,945,447	(175,182)	-	-	17,770,265	(415,410)	17,354,855
Dividends - Note 16	-	-	(82,060,855)	-	(12,612,877)	50,705,486	(43,968,246)	-	(43,968,246)
Balance at December 31, 2012	**1,650,000,000**	**150,411,796**	**196,787,910**	**(470,351)**	**(2,446,798)**	**(84,210,286)**	**1,910,072,271**	**(729,386)**	**1,909,342,885**

Consolidated Statement of Cash Flows

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

YEAR ENDED DECEMBER 31,	notes	**2012** US$	2011 US$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit for the year before income tax		19,852,849	183,490,214
Adjustments to reconcile profit to net cash used in operating activities:			
Depreciation	30	17,757,671	13,538,734
Gain on sale of investment properties	11	(4,376,528)	(625,809)
Loss on sale of fixed assets		526	-
Loss of ownership of investment properties		-	1,275,219
Provision for problematic receivables		(290,136)	290,136
Provision for end-of-service indemnity and other charges	15(d)	2,348,327	2,298,404
Provision for contingencies		7,986,410	-
Additional tax assessment		2,500,000	-
Share result from an associate	12	(3,266,683)	(3,967,997)
Interest income	27	(29,077,466)	(24,687,011)
Interest expense	30	30,737,755	24,353,558
Changes in working capital:			
Prepayments and other debit balances		8,659,589	8,653,835
Accounts and notes receivable		(3,142,061)	(65,019,448)
Inventory of land and projects in progress	30	(94,487,825)	(103,690,054)
Accounts payable and other liabilities		(13,447,113)	3,055,245
Deferred revenues and other credit balances	17	11,777,237	(17,151,577)
Interest received		12,447,883	13,175,981
Income tax paid		(24,691,842)	(35,288,373)
Net cash used in operating activities		(58,711,407)	(298,943)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Short term deposit		1,353,808	(269,317)
Pledged term deposits with banks		-	(19)
Receivable from recuperated properties		-	191,773
Acquisition of fixed assets	13&30	(8,497,552)	(17,500,628)
Acquisition of investment properties	11&30	(2,542,737)	(2,059,649)
Proceeds from sale of investment properties	11	6,129,002	1,231,472
Proceeds from sale of fixed assets	11	1,153,929	1,002,330
Investment in associates	12	5,857,411	(3,978)
Net cash provided by/(used in) investing activities		3,453,861	(17,408,016)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Bank loans		(775,077)	61,847,227
Dividends paid	16	(44,735,908)	(63,044,305)
Treasury shares		(4,652,007)	-
Interest paid		(30,737,755)	(24,353,558)
Short term facilities		39,360,646	44,603,822
Net cash used in financing activities		(41,540,101)	19,053,186
Net change in cash and cash equivalents		(96,797,647)	1,346,227
Cash and cash equivalents — Beginning of the year		82,980,898	81,634,671
Cash and cash equivalents — End of the year	**30**	**(13,816,749)**	**82,980,898**

Notes to the Consolidated Financial Statements

Year ended December 31, 2012

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 revised standard has 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 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.

2.2 NEW AND REVISED STANDARDS 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
> 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 or loss or fair value through other comprehensive income cannot 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 and SIC – 12 consolidation *Special Purpose Entities* will be withdrawn upon the effective date 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 and SIC – 13 *Jointly Control Entities* will be withdrawn upon the effective date of IFRS 11.	January 1, 2013
> 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
> Amendment to IFRSs 10, 11 and 12 on transition guidance: These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	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

	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
> 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 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. - Resulting from Annual Improvements 2009, 2011 cycle (tax effect of equity distributions)	January 1, 2014
IAS 27 Separate Financial Statements (as revised in 2011) as a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries , jointly controlled entities and associates in separate financial statements.	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.	January 1, 2013

Annual Improvements May 2012
These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. These improvements are effective for annual periods beginning on or after 1 January 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 Interpretation 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	ACTIVITY
Beirut Water Front Development s.a.l. (Joint Venture) (Proportionate consolidation)	50	April 2004	Real Estate Development
Beirut Real Estate Management and Services s.a.l. (Joint Venture), (Proportionate consolidation)	45	September 2005	Real Estate Management
Solidere Management Services s.a.l.	100	June 2006	Real Estate Management
Solidere Management Services (Offshore) s.a.l.	100	March 2007	Real Estate Management
Solidere International Holdings s.a.l.	100	May 2007	Holding
BHC Holding s.a.l. and its Subsidiaries	100	March 2010	Hospitality

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, 2012 and 2011, included in the consolidated financial statements, are as follows:

DECEMBER 31,	**2012** US$	2011 US$
ASSETS		
Cash and bank balances	1,894,468	1,467,201
Prepayments and other debit balances	4,712,752	3,330,744
Accounts and notes receivables, net	1,339,790	14,222
Inventory of land and projects in progress	40,712,633	46,225,752
Fixed assets, net	103,775	97,835
Investment properties, net	20,376,677	-
	69,140,095	**51,135,754**
LIABILITIES		
Bank overdrafts and short term facilities	13,863,026	221,749
Accounts payable and other liabilities	11,770,050	9,098,683
Deferred revenue and other credit balances	9,236,529	2,716,288
Loans from banks and financial institutions	19,377,613	20,095,747
	54,247,218	**32,132,467**
INCOME AND EXPENSES		
Revenues from rented properties	3,812,012	-
Revenues from consulting services	-	103,090
Charges on rented properties	(2,490,467)	-
General and administrative expenses	(1,245,282)	(1,258,731)
Depreciation	(31,913)	(25,825)
Other expenses	-	(127,448)
Other income	35,501	49,966
Other taxes	(140,592)	(109,995)
Interest income	(4,235)	141,259
Interest expense	(349,239)	(15,871)
Loss for the year before income tax	(414,215)	(1,243,555)
Income tax	-	(38,556)
Loss for the year	**(414,215)**	**(1,282,111)**

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 AND RENDERED SERVICES US$	REAL ESTATE RENTAL US$	HOSPITALITY US$	TOTAL US$
2012				
Total assets	**2,348,663,056**	**495,747,195**	**21,883,869**	**2,866,294,120**
Total liabilities	**762,559,890**	**165,511,937**	**28,879,408**	**956,951,235**
2011				
Total assets	**2,278,329,656**	**478,022,891**	**27,812,584**	**2,784,165,131**
Total liabilities	**676,735,879**	**145,498,986**	**25,973,990**	**848,208,855**

	REAL ESTATE SALES AND RENDERED SERVICES US$	REAL ESTATE RENTAL US$	HOSPITALITY US$	TOTAL US$
2012				
Revenues	55,722,039	58,132,896	6,593,970	120,448,905
Cost of revenues	(6,276,928)	(21,157,779)	(18,292,194)	(45,726,901)
Gain on sale of investment properties	-	4,376,528	-	4,376,528
Net revenues from operations	49,445,111	41,351,645	(11,698,224)	79,098,532
Share results from associates	3,270,649	-	(3,966)	3,266,683
General and administrative expenses	(33,281,852)	(3,914,741)	(763,587)	(37,960,180)
Depreciation of fixed assets	(5,445,988)	-	(2,714,430)	(8,160,418)
Provision for contingencies	(7,986,410)	-	-	(7,986,410)
Other taxes	(3,777,740)	-	(178,725)	(3,956,465)
Other expenses, net	(121,661)	-	(112,216)	(233,877)
Other income	543,785	-	43,871	587,656
Interest income	29,040,850	-	36,616	29,077,466
Interest expense	(26,558,524)	-	(938,294)	(27,496,818)
Profit/(loss) before tax	5,128,220	37,436,904	(16,328,955)	26,236,169
Income tax expense	(2,322,812)	(6,383,320)	-	(8,706,132)
Profit/(loss) for the year	**2,805,408**	**31,053,584**	**(16,328,955)**	**17,530,037**
2011				
Revenues	247,002,676	49,862,775	6,681,294	303,546,745
Cost of revenues	(45,246,516)	(16,066,528)	(9,896,404)	(71,209,448)
Gain on sale of investment properties	-	625,809	-	625,809
Net revenues from operations	201,756,160	34,422,056	(3,215,110)	232,963,106
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	33,820,290	(5,772,907)	188,590,557
Income tax expense	(24,691,842)	(5,100,343)	-	(29,792,185)
Profit for the year	**135,851,332**	**28,719,947**	**(5,772,907)**	**158,798,372**

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$
2012				
Revenues	**120,448,905**	**-**	**-**	**120,448,905**
Profit for the year	**14,267,320**	**3,262,717**	**-**	**17,530,037**
Total assets	**2,549,751,090**	**314,961,817**	**1,581,213**	**2,866,294,120**
Total liabilities	**956,951,236**	**-**	**-**	**956,951,236**
2011				
Revenues	**303,546,745**	**-**	**-**	**303,546,745**
Profit for the year	**154,830,375**	**3,967,997**	**-**	**158,798,372**
Total assets	**2,463,850,270**	**317,731,762**	**2,583,099**	**2,784,165,131**
Total liabilities	**848,208,855**	**-**	**-**	**848,208,855**

7 Cash and Bank Balances

DECEMBER 31,	2012 US$	2011 US$
Cash on hand	157,385	176,840
Current accounts	27,390,085	19,307,100
Short term deposits	135,859,346	154,157,060
Checks for collection	-	440,680
	163,406,816	174,081,680
Pledged term deposits	57,000	57,000

Short term deposits mature between January and March 2013 (December 31, 2011: Short term deposits mature between January and March 2012). The average yield on the term deposits for the year ended December 31, 2012 was approximately 4.11% (4.16% for the year ended December 31, 2011).

8 Prepayments and Other Debit Balances

DECEMBER 31,	2012 US$	2011 US$
Advance payments to contractors	15,583,684	17,161,217
Advances to employees	3,749,425	2,714,195
Accrued interest income (a)	16,629,583	11,583,120
Prepaid expenses	7,705,805	6,677,383
Deferred tax assets (b)	1,612,500	1,612,500
Due from related parties (c)	3,480,211	1,488,505
Other debit balances	6,867,640	6,421,933
	55,628,848	**47,658,853**

(a) Accrued interest income consists of the following:

DECEMBER 31,	2012 US$	2011 US$
Interest on bank deposits	1,087,911	1,099,991
Interest on notes and accounts receivables	15,541,672	10,483,129
	16,629,583	**11,583,120**

(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,	2012 US$	2011 US$
Solidere International Limited	2,784,646	1,488,505
City Makers s.a.r.l	520,241	-
Beirut Waterfront Development s.a.l.	55,324	-
BCD Cinema s.a.l.	120,000	-
	3,480,211	**1,488,505**

The above balances are interest free.

9 Accounts and Notes Receivable, Net

DECEMBER 31,	2012 US$	2011 US$
Notes receivable	487,366,725	494,877,861
Accounts receivable	115,990,246	119,989,346
Receivables from tenants	40,071,945	33,393,731
Less: Unearned interest	(79,899,551)	(87,177,690)
Less: Provision for problematic receivables	(451,320)	(741,456)
Less: Provision for impairment on collectively assessed accounts receivable	(9,000,000)	(9,000,000)
	554,078,045	**551,341,792**

The Group's credit risk exposure is spread mainly over 44 counter-parties; 10 customers constitute 93% of the total exposure and 34 customers constitute the remaining 7% as of December 31, 2012 (as of December 31, 2011, 48 counter-parties; 10 customers constitute 93% of the total exposure and 38 customers constitute the remaining 7%).

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

DECEMBER 31,	2012 US$	2011 US$
Doubtful balances	617,272	617,272
Overdue	48,101,552	31,212,527
2012	-	89,486,613
2013	85,931,590	85,129,316
2014	101,852,297	83,170,219
2015 and above	250,864,014	205,261,914
	487,366,725	**494,877,861**

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

Subsequent to the date of the statement of financial position, the Company signed an agreement with a local financial institution whereby it securitized notes receivable with an aggregate nominal value of US$185million relating to 4 customers.

10 Inventory of Land and Projects in Progress

DECEMBER 31,	2012 US$	2011 US$
Land and land development works, net (a)	1,022,034,140	997,660,170
Real estate development projects, net (b)	226,927,284	180,688,086
	1,248,961,424	**1,178,348,256**

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

DECEMBER 31,	2012 US$	2011 US$
Acquired properties (a.1)	967,201,064	967,201,064
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	799,223,411	777,395,720
Eviction costs (a.4)	260,242,988	260,242,988
Capitalized costs (a.5)	79,147,542	69,553,153
Cumulative costs	2,115,227,807	2,083,805,727
Less: Cost of land sold, net	(953,984,812)	(946,936,702)
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)
	1,022,034,140	**997,660,170**

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,	2012 US$	2011 US$
Sea front defense	295,279,683	288,886,655
Work executed in the traditional BCD area	171,534,879	160,248,695
Land reclamation and treatment	100,182,203	98,314,581
Electricity power station	42,753,906	42,270,889
Borrowing costs (Note 30)	44,011,502	43,305,585
Other costs	145,461,238	144,369,315
	799,223,411	**777,395,720**

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, 2012 (US$22.2million as of December 31, 2011) 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, 2012 amounted to US$9.8million (US$8.2million for the year ended December 31, 2011) (Note 26).

(b) Real estate development projects include the following:

DECEMBER 31,	2012 US$	2011 US$
Construction and rehabilitation of buildings	712,760,844	642,646,989
Cost of land	133,244,015	133,244,015
Cumulative costs	846,004,859	775,891,004
Less: Cost transferred to investment properties, net	(545,254,302)	(521,379,645)
Cost transferred to fixed assets	(29,659,018)	(29,659,018)
Cost of real estate sold	(44,164,255)	(44,164,255)
	226,927,284	**180,688,086**

During 2012, the Group transferred an amount of US$23,874,657 (US$9,548,449 during 2011) to investment properties representing the cost of land, building and other assets of the "Beirut Souks" and "Zaitunay Bay" projects (Note 11).

During 2012, the Group allocated interest expense to real estate development project in the amount of US$2,535,020 (US$2,113,796 during 2011) (Note 30).

11 Investment Properties, Net

	BALANCE AS AT DECEMBER 31, 2011 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	BALANCE AS AT DECEMBER 31, **2012** US$
COST					
Land	91,490,073	-	-	(512,575)	90,977,498
Buildings	359,132,751	1,661,001	19,806,590	(1,396,278)	379,204,064
Other assets	35,860,849	881,736	1,097,668	(3,000)	37,837,253
	486,483,673	**2,542,737**	**20,904,258**	**(1,911,853)**	508,018,815
ACCUMULATED DEPRECIATION					
Buildings	34,891,155	7,437,299	(251,472)	(159,379)	41,917,603
Other assets	6,963,358	2,159,954	(37,138)	-	9,086,174
	41,854,513	**9,597,253**	**(288,610)**	**(159,379)**	**51,003,777**
Net Book Value	**444,629,160**				**457,015,038**

	BALANCE AS AT DECEMBER 31, 2010 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	BALANCE AS AT DECEMBER 31, 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**

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 and "Zaitunay Bay" project.

During the year ended December 31, 2012, the Group transferred US$23,874,657 from real estate development projects to investment properties (US$9,548,449 for the year ended December 31, 2011) representing the cost allocated to the "Beirut Souks" and "Zaitunay Bay" projects (Note 10 (b)).

During the year ended December 31, 2012, the Group transferred a total net book value of US$2,681,789 from investment properties to fixed assets (US$43,320 from fixed assets to investment properties for the year ended December 31, 2011) (Note 13).

Disposal of land, building and other assets resulted in a gain of US$4,376,528 recorded under "Gain on sale and disposal of investment properties" in the consolidated statement of income for the year ended December 31, 2012 (US$625,809 for the year ended December 31, 2011).

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$9,597,253 for the year 2012 (US$7,116,661 for the year 2011) 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$1.25billion based on current market prices (US$1.26billion as of December 31, 2011). There has been no valuation of these properties by an independent valuer.

12 Investment in Associates

DECEMBER 31,	**2012** US$	2011 US$
Solidere International Limited (SI)	314,961,818	317,727,785
BCD Cinemas s.a.l.	4,034	-
Other	-	3,977
	314,965,852	**317,731,762**

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

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST %	2012 COST US$	2012 GROUP'S SHARE OF EQUITY US$	2011 COST US$	2011 GROUP'S SHARE OF EQUITY US$
Solidere International Limited (i)	UAE	39.05	237,789,902	314,961,818	237,209,580	317,727,785
BCD Cinemas s.a.l. (ii)	Lebanon	40.00	8,000	4,034	-	-
			237,797,902	**314,965,852**	**237,209,580**	**317,727,785**

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

DECEMBER 31,	**2012** US$	2011 US$
Total assets	872,169,518	875,440,867
Total liabilities	(9,725,177)	(4,720,441)
Non-controlling interest	(55,834,658)	(55,559,716)
Net assets	**806,609,683**	**815,160,710**
Group's share of net assets	**314,965,852**	**317,727,785**
Initial price of investment	**237,797,902**	**237,209,580**
Group's share of results-Gain	**3,266,683**	**3,967,997**
Group's share of comprehensive loss	**(175,182)**	**(144,383)**
Carrying amount of the investment	**314,965,852**	**317,727,785**

(i) 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.

During 2012, the Group increased its percentage of ownership to 39.05% by acquiring 7,786 shares for an amount of US$580,322.

(ii) During 2012, the Group subscribed into the capital of BCD Cinemas s.a.l. at a total cost of US$8,000 representing a 40% equity stake in the associate's capital of US$20,000.

13 Fixed Assets, Net

Fixed assets are composed of the following:

	BALANCE AS AT DECEMBER 31, 2011 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	BALANCE AS AT DECEMBER 31, **2012** US$
COST					
Land	5,722,047	-	450,191	-	6,172,238
Buildings	23,678,118	3,717,682	2,577,105	(1,140,258)	28,832,647
Marina	7,866,624	-	-	-	7,866,624
Furniture and fixure	10,036,098	717,877	65	(33,264)	10,720,776
Freehold improvements	26,716,862	2,897,237	38,467	-	29,652,566
Machines and equipment	36,130,572	1,164,756	6,862	(83,985)	37,218,205
Advances on fixed assets	364,226	-	-	-	364,226
Work in progress	-	-	(102,291)	-	(102,291)
	110,514,547	**8,497,552**	**2,970,399**	**(1,257,507)**	**120,724,991**
ACCUMULATED DEPRECIATION					
Buildings	3,232,651	2,504,808	251,472	(40,684)	5,948,247
Marina	861,913	159,955	-	-	1,021,868
Furniture	3,414,708	247,261	17	(4,990)	3,656,996
Freehold improvements	4,701,801	884,902	30,259	-	5,616,962
Machines and equipment	27,986,846	4,363,492	6,862	(57,378)	32,299,822
	40,197,919	**8,160,418**	**288,610**	**(103,052)**	**48,543,895**
Net Book Value	**70,316,628**				**72,181,096**

	BALANCE AS AT DECEMBER 31, 2010 US$	ADDITIONS US$	TRANSFERS US$	DISPOSALS AND SALES US$	BALANCE AS AT DECEMBER 31, 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**

During the year ended December 31, 2012, the Group transferred assets of total net book value of US$2,681,789 from investment properties to fixed assets (US$43,320 from fixed assets to investment properties for the year ended December 31, 2011) (Note 11).

The depreciation for the year ended December 31, 2012 and 2011 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,	**2012** US$	2011 US$
Bank overdrafts	177,223,565	89,746,974
Short term facilities	469,662,871	430,302,226
	646,886,436	**520,049,200**

Short term facilities consist of the following:

FACILITY AMOUNT US$	MATURITY DATE	INTEREST RATE %	COVENANTS	OUTSTANDING BALANCE DECEMBER 31, **2012** US$	2011 US$
100,000,000	August 4, 2015	4.05	(a)	109,658,838	109,256,980
75,000,000	August 3, 2013	5.00	(b)	74,999,646	74,999,638
35,000,000	August 3, 2013	5.00	(b)	34,999,885	34,999,897
100,000,000	October 11, 2013	4.50		99,999,477	99,999,957
100,000,000	July 31, 2013	5.50	(c)	100,005,025	100,005,958
50,000,000	July 10, 2013	5.00		50,000,000	-
				469,662,871	**419,262,430**

(a) The covenants of the agreement stipulate that the Group maintain a maximum debt to equity ratio and banks' loans, overdrafts and other facilities to equity ratio of 1:3 and 1:4 respectively.

Also, the covenants of the facility stipulate that the Group maintains a minimum of US$75million in notes and accounts receivables and maintain a minimum of 750,000 square meters of built properties and US$1billion in net tangible assets free from any liens.

(b) The covenants of the agreements stipulate that the Group maintains a maximum debt to equity ratio of 1:2 and a minimum equity balance of US$1billion.

(c) The covenant of the facility stipulates that the Group maintains a minimum equity balance of US$1billion, a minimum equity to assets ratio of 40% and a maximum debt to equity ratio of 50%.

Interest expense on bank overdrafts for the year ended December 31, 2012 amounted to US$5,915,816 and recorded under interest expense in the consolidated statement of income (US$5,089,450 for the year ended December 31, 2011).

Interest expense on short term facilities for the year ended December 31, 2012 amounted to US$21,373,031 (US$18,339,449 for the year ended December 31, 2011) and recorded under interest expense in the consolidated statement of income.

15 Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following:

DECEMBER 31,	**2012** US$	2011 US$
Accounts payable (a)	57,081,716	68,969,445
Accrued charges and other credit balances (b)	18,615,340	18,820,774
Taxes payable (c)	13,691,324	34,533,002
Provision for end-of-service indemnity and other charges (d)	15,154,077	13,608,683
Provision for previously recognized sales (e)	7,007,910	7,007,910
Provision for contingences	7,986,410	-
Due to related parties (f)	211,123	482,155
Accrued interest payable	1,384,230	1,387,508
	121,132,130	**144,809,477**

(a) Accounts payable as of December 31, 2012 and 2011 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,	2012 US$	2011 US$
Deposits from tenants	3,080,220	3,101,497
Accrued municipality expenses	3,326,425	3,326,425
Other	12,208,695	12,392,852
	18,615,340	**18,820,774**

(c) Taxes payable consist of the following:

DECEMBER 31,	2012 US$	2011 US$
Accrued income tax	2,054,773	24,402,559
Additional tax assessment	2,500,000	-
Value added tax (VAT) payable	486,184	1,194,525
Taxes withheld	1,909,150	3,175,779
Property tax payable	6,734,013	5,752,935
Other accrued taxes	7,204	7,204
	13,691,324	**34,533,002**

Income Tax

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

The accrued income tax for the years 2012 and 2011 was estimated as follows:

	2012 US$	2011 US$
Profit before tax	19,852,849	183,490,214
Less: Income of subsidiaries	(1,490,585)	3,739,507
Add: Non-deductible provisions and charges	26,393,401	5,748,285
Less: Non-taxable revenues	(29,270,255)	(28,622,769)
Taxable income	15,485,410	164,355,237
Applicable tax rate	15%	15%
Accrued income tax	2,322,812	24,653,286
Add: Income tax provision for subsidiaries	-	38,556
Total accrued income tax	2,322,812	24,691,842
Less: Tax on interest previously settled	(268,039)	(289,283)
Accrued income tax payable	**2,054,773**	**24,402,559**

Additional tax assessment

During 2012, the Company's accounts for the years 2007 to 2010 were reviewed by the tax authorities. The review for the year 2007 resulted in an additional tax liability in the amount of US$ 2,500,000 which was recorded under "Taxes, fees and stamps" in the consolidated statement of income. The outcome of the review of the Company's accounts for the years 2008 to 2010 is still pending. Any additional tax liability is subject to the results of this review.

The Company's tax returns for the years 2011 and 2012 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 2012 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:

	2012 US$	2011 US$
Balance at the beginning of the year	13,608,683	11,394,853
Additions	2,348,327	2,298,404
Settlements	(106,989)	(84,574)
Write-off	(695,944)	-
Balance at the end of the year	**15,154,077**	**13,608,683**

(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,	2012 US$	2011 US$
Beirut Real Estate Management and Services s.a.l.	-	394,956
Mr. Selim El Zyr	367	605
Mr. Rami Ariss	-	8,058
City Markers s.a.r.l.	128,262	50,193
Loulyas Holding s.a.l.	82,494	28,343
	211,123	**482,155**

The above balances are interest free.

16 Dividends Payable

GENERAL ASSEMBLY DATE	DIVIDEND PER SHARE US$	DECLARED US$	SETTLED/ DISTRIBUTED UP TO DECEMBER 31, 2012 US$	DECEMBER 31, 2012 PAYABLE US$	DECEMBER 31, 2011 PAYABLE US$
June 29, 1996	0.20	30,918,413	29,404,342	1,514,071	1,538,654
June 30, 1997	0.25	40,367,172	37,599,211	2,767,961	2,805,099
June 29, 1998	0.25	39,351,753	36,013,256	3,338,497	3,377,746
June 23, 2003	Stock dividend	19,625,550	19,606,235	19,315	19,315
June 12, 2006	0.6	94,831,106	90,083,339	4,747,767	4,976,531
June 22, 2007	1.00	155,093,702	147,164,618	7,929,084	10,478,193
July 15, 2008	1.00	155,090,832	139,598,339	15,492,493	18,101,474
July 13, 2009	1.15	176,479,956	161,658,694	14,821,262	15,711,241
July 19, 2010	1.15	175,228,434	158,800,100	16,428,334	18,000,472
August 1, 2011	0.40	60,912,291	55,582,248	5,330,043	9,187,138
August 1, 2011	Stock dividend	85,987,850	85,987,850	-	-
July 30, 2012	0.25	39,316,239	32,928,872	6,387,367	-
July 30, 2012	Stock dividend	42,744,616	42,744,616	-	-
		1,115,947,914	**1,037,171,720**	**78,776,194**	**84,195,863**

The General Assembly held on July 30, 2012 decided to distribute dividends on the basis of US$0.25 per share and to distribute Class (B) shares from its treasury shares on the basis of 1 share for every 50 shares for a total consideration of US$43million and issued the related share certificates. Accordingly, the Group recorded cash dividends payable in the amount of US$35million net of distribution tax in the amount of US$4million. An amount of approximately US$33million was settled up to December 31, 2012.

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 cash 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$56million was settled up to December 31, 2012 (US$52million was settled up to December 31, 2011).

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,	2012 US$	2011 US$
Cash down payments and commitments on sale contracts	12,252,587	5,841,989
Deferred rental revenue and related deposits	28,583,218	23,216,579
	40,835,805	**29,058,568**

Cash down payments and commitments on sale contracts include balances aggregating to approximately US$11million that relate to 5 sales contracts with an aggregate potential gross sales value of US$52.76million as of December 31, 2012 (US$4.6million relating to 4 sale contract with an aggregate potential gross sales value of US$46million as of December 31, 2011).

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 November 5, 2012 the Group signed a loan agreement with a resident foreign bank for an amount of US$12.5million. The two years loan bears an interest of 3-months Libor + 2.5% not exceeding 4.5% p.a. Interest is computed on a quarterly basis starting the date of the loan withdrawal. The loan was fully withdrawn during the year 2012. The repayment of the loan will be through 2 equal annual installments of US$6.25million each, starting 1 year 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 2012 in the amount of US$48,438 was recorded under"Interest expense from banks" in the consolidated statement of income.

On October 12, 2011 the Group 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 Company settled an amount of US$25million during 2012. 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 2012 in the amount of US$1,761,861 (US$394,999 for the year 2011) 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 US$9,950,249. The loan principal was fully withdrawn during 2011 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, 2012 in the amount of US$37thousand (US$41thousand for the year 2011) net of subsidized interest in the amount of US$251thousand (US$281thousand for the year 2011) of which US$9.7 thousand was recorded under"Interest expense" in the consolidated statement of income and the remaining balance amounting to US$27.3 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 USD450,249 beginning on December 31, 2011 and ending September 30, 2016. Settlements made during 2012 amounted to US$1.5million.

During 2009, a joint venture entity of the Group signed another loan agreement with the same local bank in the amount of US$30,000,000. The loan was fully withdrawn during 2011. 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, 2012 in the amount of US$211thousand (US$240thousand for the year 2011 capitalized under inventory of land and projects in progress (Note 10)) out of which US$55thousand was recoded under "Interest expense" in the consolidated statement of income and the remaining balance in the amount of US$156thousand was capitalized under inventory of land and projects in progress (Note 10). The agreement was amended during 2011 to decrease the loan amount to 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.

During 2011, a joint venture entity of the Group signed another loan agreement with the same local bank in the amount of US$14.9million. 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 an 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 the 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.

The joint venture entity did not receive the approval of the Central Bank of Lebanon regarding this loan and accordingly, it was considered part of the overdraft facility as per the new loan contract signed during 2012.

On March 16, 2012, a joint venture entity of the Group signed a loan agreement with the same local bank in the amount of US$15,000,000. The term of the loan is two years. This loan bears an interest rate equivalent to cost of funds + 1.2% per annum. Interest is computed on quarterly basis starting the date of the first withdrawal. The loan will be paid in four semi-annual payment of US$750,000 starting June 30, 2013 and ending June 30, 2015. The loan was fully withdrawn during 2012. Interest for the year ended December 31, 2012 amounted to US$166 thousand of which US$43 thousand was recorded under "Interest expense" in the consolidated statement of income and the remaining balance amounting to US$123 thousand was capitalized under inventory of land and projects in progress (Note 10). The joint venture entity granted the bank a first degree mortgage over plots #1455 and #1456 in Mina El Hosn.

On September 21, 2012, a joint venture entity of the Group signed another loan agreement with the same local bank in the amount of US$40,000,000. The term of the loan is seven years and matures on December 31, 2019. The loan bears an annual interest rate ranging from 7% to 7.5% depending on the sales volumes. Interest is computed on a semi-annual basis starting the date of first withdrawal.

The loan will be repaid on March and September of each year starting September 30, 2012 as follows:

	USD
2012	1,600,000
2013	4,000,000
2014	5,200,000
2015	5,600,000
2016	5,800,000
2017	6,400,000
2018	6,800,000
2019	4,600,000
	40,000,000

Total withdrawals up to December 31, 2012 amounted to US$9,550,000. Settlements made during 2012 amounted to US$1,600,000. Interest for the year ended December 31, 2012 amounted to US$73 thousand of which an amount US$19 thousand was recorded under "Interest expense" in the consolidated statement of income and the remaining balance amounting to US$54 thousand was capitalized under inventory of land and projects in progress (Note 10).

During 2012, a wholly owned subsidiary of the Group signed a loan agreement with a local bank in the amount of US$2,839,492. The loan principal was fully withdrawn during 2012. The term of loan is five years. This loan bears an interest rate of 4.64% per annum. Interest is computed on a quarterly basis. The repayment of loan will be through 19 equal quarterly installment of US$140,000 each and one last installment of US$179,497 beginning on January 1, 2013 and ending on September 30, 2017. Interest expense for the year ended December 31, 2012 amounted to US$72,314 and was recorded under"Interest expense" in the consolidated statement of income.

During 2012, a wholly owned subsidiary of the Group signed a loan agreement with a local bank in the amount of US$9,500,000. The loan principal was fully withdrawn during 2012. The term of loan is five years. This loan bears an interest rate of 3 months LIBOR + 2.5% per annum. Interest is computed on a quarterly losses. The repayment of loan will be through 20 equal quarterly installments of US$475,000 each beginning on January 1, 2013 and ending on September 30, 2017. Interest expense for the year ended December 31, 2012 amounted to US$574,415 and was recorded under"Interest expense" in the consolidated statement of income.

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, 2012, the Company had 12,462,906 "A" shares listed on the London Stock Exchange in the form of Global Depository Receipts (GDR) (13,557,687"A"shares as of December 31, 2011).

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 4,846,204 shares class (A) and (B) as of December 31, 2012 out of which 396,344 shares represent Global Depository Receipts (GDR) (7,643,249 shares out of which 396,344 shares represent Global Depository Receipts (GDR) as of December 31, 2011).

The treasury shares outstanding as of December 31, 2012 and 2011 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, 2012 and 2011, 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,	2012 US$	2011 US$
Issued capital	3,980	3,980
Accumulated losses	(317,956)	(86,660)
Loss for the year	(415,410)	(231,296)
	(729,386)	**(313,976)**

23 Revenues from Rendered Services

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Services rendered to related parties (Note 31)	2,527,995	1,904,854
Services rendered to clients	1,052,861	922,293
Broadband network revenues	2,560,806	2,452,981
	6,141,662	**5,280,128**

24 Charges on Rented Properties

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Depreciation expense (Note 11)	9,597,253	7,116,661
Property taxes	6,383,320	5,752,935
Manpower	4,654,208	3,563,243
Advertising	1,404,101	1,628,560
Electricity, maintenance and other related changes, net	5,502,217	3,105,472
	27,541,099	**21,166,871**

25 Cost of Services Rendered

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Cost of services rendered to related parties	2,527,995	1,927,253
Cost of services rendered to clients	1,090,421	763,421
Broad band network cost of services rendered	3,237,268	3,211,278
	6,855,684	**5,901,952**

26 General and Administrative Expenses

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Salaries, benefits and related charges	22,470,944	22,881,088
Board of directors' remuneration	285,417	275,000
Professional services	1,644,557	2,419,556
Promotion and advertising	6,716,712	5,880,820
Utilities, office, maintenance and other similar expenses	4,401,359	4,096,190
Travel and accommodation	952,241	1,077,376
Other expenses	1,488,950	1,566,112
	37,960,180	**38,196,142**

The Group reallocated salaries, benefits and related charges and administrative expenses amounting to US$9.8million to construction cost during the year ended December 31, 2012 (US$8.2million during the year ended December 31, 2011) (Note 10).
The Group reallocated salaries, benefits and related charges amounting to US$5,706,462 to charges on rented property during the year ended December 31, 2012 (US$4,563,622 during the year ended December 31, 2011).

27 Interest Income

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Interest income from notes and accounts receivable	24,473,575	19,186,689
Interest income from banks	4,603,891	5,500,322
	29,077,466	**24,687,011**

28 Other Expenses

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Amicable settlements	-	3,414,155
Loss of ownership of investment properties (Note 11)	-	1,275,219
Other	233,877	377,030
	233,877	**5,066,404**

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

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 158,846,753 shares for the year 2012 (154,395,737 shares for the year 2011).

30 Notes to the Cash Flow Statement

(a) Depreciation was applied as follows:

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Depreciation of fixed assets - Note 13	8,160,418	6,422,073
Depreciation of investment properties - Note 11 & 24	9,597,253	7,116,661
Depreciation charge for the year	**17,757,671**	**13,538,734**

(b) Interest expense consists of the following:

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Interest charged as period cost	27,496,818	21,081,965
Interest expense allocated to inventory of land and projects in progress – Note 10	3,240,937	3,271,593
Total interest expense	**30,737,755**	**24,353,558**

(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$23,874,657 for the year ended December 31, 2012 (US$9,548,449 for the year ended December 31, 2011).

(d) During the year ended December 31, 2012, the Group transferred a total of net book value of US$2,681,789 from investment properties to fixed assets (US$43,320 from fixed assets to investment properties for the year ended December 31, 2011).

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

YEAR ENDED DECEMBER 31,	2012 US$	2011 US$
Cash	157,385	617,520
Current accounts	27,390,085	19,307,100
Short term deposits	135,916,347	152,803,252
Bank overdrafts	(177,223,565)	(89,746,974)
	(13,759,748)	**82,980,898**

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$ 55,384,003 as of December 31, 2012 (US$59,908,080 as of December 31, 2011) 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$115,340,045 as of December 31, 2012 (US$115,629,936 as of December 31, 2011) representing short term facilities with a local bank who is a significant but minority shareholder of the Group.

Included under "Interest expense" in the consolidated statement of income an amount of US$5,151,785 for the year ended December 31, 2012 (US$5,577,288for the year ended December 31, 2011) representing interest expense on 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$120,000 for the year ended December 31, 2012 related to one of the firm's legal counselors who was a member in the Company's board of directors (US$125,000 for the year ended December 31, 2011).

The Group incurred various expenses on behalf of its related parties whose total net debit balances due amounted to US$3,269,088 as of December 31, 2012 (US$1,006,350 as of December 31, 2011) (Note 8 and 15).

During 2012, the Group charged Solidere International Limited, an associate, administrative expenses amounting to US$2,062,072 (US$1,904,854 for the year 2011) (Note 23), in addition to an amount of US$238,158 (US$29,459 for the year 2011) representing payments on its behalf.

During 2012, the Group rendered services to City Makers s.a.r.l., a related party, for an aggregate amount of US$465,923 (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$2,267,607 (US$3,481,100 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, 2012 amounted to approximately US$142million (US144million as of December 31, 2011).

(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$4,024,060 as at December 31, 2012 (as at December 31, 2011 commitments and contingencies in the form of letters of guarantee the amount of US$11,275,811).

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, 2012 and 2011.

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, 2012 and 2011 was as follows:

DECEMBER 31,	2012 US$	2011 US$
Total consolidated liabilities	956,951,236	848,208,855
Less: Cash and bank balances	(163,463,816)	(174,138,680)
Total debt	793,487,420	674,070,175
Total equity	1,910,072,270	1,936,270,252
Gearing ratio	**0.42**	**0.35**

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
2012		
US Dollars	+20	589,920
US Dollars	-15	442,440
2011		
US Dollars	+20	508,918
US Dollars	-15	381,688

(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 44 counter-parties; 10 customers constitute 93% of the total exposure and 34 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, 2012					
Bank overdrafts and short term facilities	-	-	646,886,436	-	646,886,436
Accounts payable and other liabilities	980,490	31,339,614	6,693,986	30,544,057	69,558,147
Dividends payable	78,776,194	-	-	-	78,776,194
Deferred revenues and other credit balances	40,835,805	-	-	-	40,835,805
Loans from banks and financial institutions	-	-	-	69,320,670	69,320,670
Non-financial liabilities	51,573,983	-	-	-	51,573,983
	172,166,472	**31,339,614**	**653,580,422**	**99,864,727**	**956,951,235**
DECEMBER 31, 2011					
Bank overdrafts and short term facilities	-	-	520,049,200	-	520,049,200
Accounts payable and other liabilities	980,490	33,965,008	28,500,664	32,085,386	95,531,548
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	49,277,929	-	-	-	49,277,929
	163,512,850	**33,965,008**	**565,549,864**	**85,181,133**	**848,208,855**

35 Fair Value of Financial Instruments

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

36 Approval of Financial Statements

The Board of Directors approved the financial statements for the year ended December 31, 2012 on May 27, 2013

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