

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023



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

### **Report on the audit of the consolidated financial statements**

#### **Adverse opinion**

We have audited the consolidated financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (the "Company") and its subsidiaries (collectively referred to the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, because of the significance of matters described in the Basis for adverse opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs).

#### **Basis for adverse opinion**

1. As explained in note 2.2 to the consolidated financial statements, the Group's functional currency is the Lebanese Lira which is the currency of a hyperinflationary economy and management has not applied the requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the preparation of the Group's consolidated financial statements in its functional currency for the year ended 31 December 2023 nor did management consider its effect on forecasts and discount rates used in accounting estimates before translation to the presentation currency. This is not in accordance with IFRSs. Had the Group applied the requirements of IAS 29, many elements and disclosures in the accompanying consolidated financial statements, including the comparative financial information for the year ended 31 December 2022, would have been materially different. The effects on the consolidated financial statements arising from this departure have not been determined. Our opinion in the prior year was also modified in respect of this matter.
2. As disclosed in note 2.1 to the consolidated financial statements, the consolidated financial statements have been presented in US Dollars based on the Company's accounting records which are maintained in US Dollars. For the purpose of presenting its consolidated financial statements in US Dollars, the Group did not translate its consolidated financial statements from its functional currency into the presentation currency which constitutes a departure from IAS 21. In addition, the Group translated its assets and liabilities, denominated in foreign currencies, as at 31 December 2023 and all transactions in foreign currencies that occurred during the year then ended, using the official published exchange rates. However, other exchange rates were introduced through legal exchange mechanisms, and several exchange rates became available, depending on the source and nature of the operation or balance. As stated in IAS 21 "The Effects of Changes in Foreign Exchange Rates", when several exchange rates are available, the rate to be used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Management did not use the rate at which the future cash flows would have been expected to be settled. This is not in accordance with IFRSs. Had the Group translated its consolidated financial statements from its functional currency into the presentation currency for the year ended 31 December 2023 and prior years, and had the Group used the rate at which the future cashflows could have been settled, many accounts and disclosures in the consolidated financial statements, including the comparative financial information for the year ended 31 December 2022, would have been materially different. The effects on the consolidated financial statements of the departure from IAS 21 and the uncertainties relating to the appropriate exchange rates have not been determined. Our opinion in the prior year was also modified in respect of this matter.

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

**Basis for adverse opinion (continued)**

3. Loss on foreign exchange, net is reported in the consolidated statement of profit or loss at US\$ 14.4million (2022: gain on foreign exchange, net of US\$ 29.5million). We were unable to obtain sufficient appropriate audit evidence about the loss on foreign exchange, net because we could not inspect documentation relating to this amount. Consequently, we were unable to determine whether any adjustments to this amount were necessary. Our opinion in the prior year was also modified in respect of this matter.
4. Cash and bank balances, which are carried in the consolidated statement of financial position at US\$ 26.9million (2022: US\$ 46.1million), include balances deposited with banks in Lebanon which are carried at US\$ 19.0million (2022: US\$ 20.4million). Management has not stated balances deposited with banks in Lebanon after taking into account the uncertainties disclosed in note 2 of the consolidated financial statements, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.
5. Investments in associates and joint ventures which are carried in the consolidated statement of financial position at US\$ 378.2million (2022: US\$ 355.4million), include a long-term loan to a joint venture of US\$ 7.0million (2022: US\$ 8.0million) net of an allowance for expected credit losses of US\$ 28.5million (2022: US\$ 28.5million). Management has not stated long term loan to a joint venture after taking into account the full impact of the economic crisis in Lebanon, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.
6. Investment properties, which are carried in the consolidated statement of financial position at US\$ 593.4million (2022: US\$ 608.8million), exhibited indicators of impairment at the reporting date. Management did not perform an estimate of the recoverable amount of investment properties to determine whether any impairment loss has occurred and should have been recorded, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.
7. Inventory of land and projects in progress are carried in the consolidated statement of financial position at US\$ 854.0million. Management did not determine if the net realizable value of inventory of land and projects in progress exceeded their cost, which constitutes a departure from IFRSs. We were unable to determine whether any adjustments to this amount were necessary.
8. The Group has not consolidated the results of subsidiary Solidere Management Services S.A.L. from 1 January 2023 until the date of disposal and has determined the gain on disposal of subsidiary, which is reported in the consolidated statement of profit or loss and other comprehensive income at US\$ 2.4million, by deducting the carrying amount of the net assets at 31 December 2022 from the sale proceeds. Under IFRSs, the Group should have consolidated the results of this subsidiary and determined the gain on disposal of subsidiary by deducting the carrying amount of the net assets at the date of disposal from the sale proceeds. Had Solidere Management Services S.A.L. been consolidated and the gain on disposal of subsidiary been determined correctly, many elements in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows would have been affected. The effects on the consolidated financial statements of these matters have not been determined.

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

**Basis for adverse opinion (continued)**

9. Inventory of land and projects in progress are carried in the consolidated statement of financial position at US\$ 854.0million (2022: US\$ 856.0million). Management has stated inventory of land and projects in progress inclusive of maintenance and other expenses, which constitutes a departure from IFRSs. The Group's records indicate that had management not stated inventory of land and projects in progress inclusive of maintenance and other expenses, an amount of US\$ 4.3million (2022: US\$ 4.3million) would have been required to reduce inventory of land and projects in progress. Accordingly general and administrative expenses would have been increased by nil (2022: US\$ 4.3million), the loss for the year would have been increased by nil (2022: US\$ 4.3million) and total equity would have been reduced by US\$ 4.3million (2022: US\$4.3million). Our opinion in the prior year was also modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2023. Except for the matters described in the Basis for Adverse Opinion section of our report, we have determined that there are no other key audit matters to communicate in our report.

**Other information**

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report other than the consolidated financial statements and our auditor's report thereon. The Group's Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

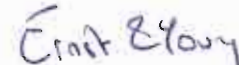
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beirut, Lebanon  
3 December 2024



Deloitte & Touche



Ernst & Young

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>US\$</i>	<i>2022</i> <i>US\$</i>
Revenues from land sales		5,038,267	29,598,477
Revenues from rented properties		26,728,564	31,427,727
Revenues from rendered services	4	2,451,199	8,437,906
<b>Total revenues</b>		<b>34,218,030</b>	<b>69,464,110</b>
Cost of land sales	16	(2,471,000)	(11,502,400)
Depreciation of and charges on rented properties	5	(27,386,005)	(42,613,571)
Cost of rendered services	6	(3,320,414)	(17,691,636)
<b>Total cost of revenues</b>		<b>(33,177,419)</b>	<b>(71,807,607)</b>
Gain on sale and disposal of investment properties, net	17	254,774	1,025,941
<b>Net revenues (losses) from operations</b>		<b>1,295,385</b>	<b>(1,317,556)</b>
Shares results of associates and joint ventures	18	20,633,105	7,751,588
General and administrative expenses	7	(19,527,240)	(41,789,929)
Selling expenses		(104,792)	(127,204)
Depreciation of property and equipment	19	(1,880,916)	(2,035,364)
Allowance for expected credit losses	8	(14,849,434)	-
Write-off of receivables	13	(104,197)	(1,054,129)
Gain on sale of a subsidiary		2,394,468	-
Write-back of provision for contingencies	20 (a)	10,010,396	2,316,800
Other expense		(234,909)	(581,834)
Other income	9	311,737	2,262,299
Interest income	10	1,887,447	427,328
Bank commissions and charges		(541,045)	(465,295)
(Loss) gain on foreign exchange, net		(14,359,679)	29,517,726
<b>LOSS FOR THE YEAR BEFORE TAX</b>		<b>(15,069,674)</b>	<b>(5,095,570)</b>
Income tax expense		(10,016)	(69,640)
<b>LOSS FOR THE YEAR</b>		<b>(15,079,690)</b>	<b>(5,165,210)</b>
<b>Attributable to:</b>			
Equity owners of the Company		(15,079,690)	(5,165,210)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	11	<b>(0.094)</b>	<b>(0.032)</b>

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	<i>2023</i> <i>US\$</i>	<i>2022</i> <i>US\$</i>
<b>LOSS FOR THE YEAR</b>		<b>(15,079,690)</b>	<b>(5,165,210)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation reserve	18	14,959	28,477
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>14,959</b>	<b>28,477</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(15,064,731)</b>	<b>(5,136,733)</b>
<b>Attributable to:</b>			
Equity owners of the Company		<b>(15,064,731)</b>	<b>(5,136,733)</b>

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



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>US\$</i>	<i>2022</i> <i>US\$</i>
<b>ASSETS</b>			
Cash and bank balances	12	26,879,875	46,067,134
Accounts and notes receivable, net	13	6,406,646	2,532,065
Prepayments and other assets	14	4,132,156	16,034,788
Financial assets at amortized cost	15	35,503,831	21,703,678
Inventory of land and projects in progress	16	854,047,738	856,020,382
Investment properties, net	17	593,453,851	608,846,262
Investments in associates and joint ventures	18	378,193,641	355,382,272
Property and equipment, net	19	36,996,123	38,766,470
<b>TOTAL ASSETS</b>		<b>1,935,613,861</b>	<b>1,945,353,051</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable and other liabilities	20	73,365,884	93,200,569
Dividends payable	21	57,216,806	57,352,316
Deferred revenues	22	131,357,878	50,330,007
<b>Total liabilities</b>		<b>261,940,568</b>	<b>200,882,892</b>
<b>Equity</b>			
Issued capital at par value US\$ 10 per share:			
100,000,000 class (A) shares	23	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	23	650,000,000	650,000,000
		<b>1,650,000,000</b>	<b>1,650,000,000</b>
Legal reserve	24	170,650,942	170,816,724
Accumulated losses		(12,681,725)	(931,122)
Cumulative foreign currency translation reserve		15,818	859
Less: treasury shares	23	(134,311,742)	(75,416,302)
<b>Total equity</b>		<b>1,673,673,293</b>	<b>1,744,470,159</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,935,613,861</b>	<b>1,945,353,051</b>

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<i>Share capital US\$</i>	<i>Legal reserve US\$</i>	<i>(Accumulated losses) retained earning US\$</i>	<i>Cumulative foreign currency translation reserve US\$</i>	<i>Treasury shares US\$</i>	<i>Total US\$</i>
Balance at 1 January 2022	1,650,000,000	170,816,724	12,798,353	(27,618)	(74,027,956)	1,759,559,503
Loss for the year - 2022	-	-	(5,165,210)	-	-	(5,165,210)
Other comprehensive income for the year – 2022	-	-	-	28,477	-	28,477
Total comprehensive loss for the year - 2022	-	-	(5,165,210)	28,477	-	(5,136,733)
Change in percentage of ownership in an associate (note 18)	-	-	2,241,737	-	-	2,241,737
Share of other changes in equity of associates (note 18)	-	-	(10,806,002)	-	-	(10,806,002)
Treasury shares purchase (note 23)	-	-	-	-	(1,388,346)	(1,388,346)
Balance at 31 December 2022	1,650,000,000	170,816,724	(931,122)	859	(75,416,302)	1,744,470,159
Loss for the year - 2023	-	-	(15,079,690)	-	-	(15,079,690)
Other comprehensive income for the year – 2023	-	-	-	14,959	-	14,959
Total comprehensive loss for the year - 2023	-	-	(15,079,690)	14,959	-	(15,064,731)
Disposal of a subsidiary	-	(165,782)	165,782	-	-	-
Change in percentage of ownership in an associate (note 18)	-	-	4,050,940	-	-	4,050,940
Share of other changes in equity of associates (note 18)	-	-	(887,635)	-	-	(887,635)
Treasury shares purchase (note 23)	-	-	-	-	(58,895,440)	(58,895,440)
<b>Balance at 31 December 2023</b>	<b>1,650,000,000</b>	<b>170,650,942</b>	<b>(12,681,725)</b>	<b>15,818</b>	<b>(134,311,742)</b>	<b>1,673,673,293</b>

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 US\$	2022 US\$
<b>OPERATING ACTIVITIES</b>			
Loss for the year before tax		(15,069,674)	(5,095,570)
Adjustments for:			
Depreciation	25 (a)	17,006,188	17,124,330
Gain on sale and disposal of investment properties, net	17	(254,774)	(1,025,941)
Gain on sale of property and equipment	9	(173,487)	-
Provision for end-of-service indemnity and other charges, net	20 (d)	1,392,596	4,287,506
Write-back of provision for contingencies	20 (a)	(10,010,396)	(2,316,800)
Allowance for expected credit losses	8	14,849,434	-
Write-off of receivables	13	104,197	1,054,129
Gain on sale of a subsidiary		(2,394,468)	-
Share results of associates and joint ventures	18	(20,633,105)	(7,751,588)
Interest income	10	(1,887,447)	(427,328)
		(17,070,936)	5,848,738
Changes in working capital:			
Accounts and notes receivable, net	25 (c)	(13,703,130)	(4,686,167)
Prepayments and other assets	25 (c)	4,349,703	837,527
Inventory of land projects in progress	25 (c)	1,972,644	6,476,460
Accounts payable and other liabilities	25 (c)	(2,168,337)	(4,101,083)
Deferred revenues		81,027,871	(22,126,264)
Cash from (used in) operations		54,407,815	(17,750,789)
Settlements of end-of-service indemnity and other charges		(100,586)	(49,104)
Net cash from (used in) operating activities		54,307,229	(17,799,893)
<b>INVESTING ACTIVITIES</b>			
Financial assets at amortized costs	15	(13,800,153)	(21,703,678)
Acquisition of property and equipment	19	(87,637)	(725,049)
Acquisition of investment properties	17	(1,042,830)	(13,573,322)
Proceeds from disposal of investment properties	17	1,600,000	3,150,000
Proceeds from sale of property and equipment	19	111,137	-
Investments in associates and joint ventures		1,000,000	-
Effect of sale of a subsidiary		(4,323,642)	-
Interest received		1,840,309	193,280
Net cash used in investing activities		(14,702,816)	(32,658,769)
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(135,510)	(397,574)
Treasury shares purchase		(58,895,440)	(1,388,346)
Net cash used in financing activities		(59,030,950)	(1,785,920)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		(19,426,537)	(52,244,582)
Cash and cash equivalents at 1 January	25 (d)	47,426,605	99,671,187
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	25 (d)	28,000,068	47,426,605

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

### 1 CORPORATE INFORMATION

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

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

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

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

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

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

The Company together with its affiliated subsidiaries (collectively the "Group") information is provided in note 2 to the consolidated financial statements.

### 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

#### 2.1 Operating environment of the Group

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

Throughout this sequence of events, the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed de-facto capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption.

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

In addition, since October 2023, and as a direct spillover of the conflict in the Middle East, armed confrontation with Israel has been escalating, resulting in a significant number of displaced and massive destruction to local infrastructure, adding strain to Lebanon's crisis-ridden economy. The armed conflict and its spillovers have had negative knock-on effects on Lebanese economic growth in 2023, continuing into 2024. A ceasefire was announced on 26 November 2024. Management is closely monitoring the situation and its impact on the Group's consolidated financial position, financial performance and cash flows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.1 Operating environment of the Group (continued)

*Foreign currencies and exchange rates*

The difficulty in accessing foreign currencies lead to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of LL 1,507.5 to the USD which was increased to LL 15,000 to the USD starting February 2023 and subsequently to LL 89,500 to the USD starting January 2024.

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

The Sayrafa corresponds to a floating system and the rates are published on the website of the Central Bank of Lebanon. The rates were as follows for the years ended 31 December 2023 and 2022:

	2023		2022	
	Rate as at 31 December LL	Average rate for the year ended 31 December LL	Rate as at 31 December LL	Average rate for the year ended 31 December LL
US Dollar	89,500	79,117	38,000	25,907

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

On 9 January 2023, the Ministry of Finance issued decision No.2 regarding the application of article 35 of the government Budget Law 2022 No. 10 dated 15 November 2022 in connection with the conversion into LL of salaries paid in foreign currencies for the purpose of calculating payroll tax:

- For amounts paid in fresh funds in foreign currency: Apply a reference rate of LL 8,000/US\$ for amounts paid during the period ending 15 November 2022 and a reference rate of LL15,000/US\$ for amounts paid after 15 November 2022.
- Apply a reference rate of LL 8,000/US\$ for amounts paid in restricted (onshore) funds in foreign currency up to US\$3,000.
- Apply a reference rate of LL 1,507.5/US\$ for amounts paid in restricted (onshore) funds in foreign currency that are in excess of US\$ 3,000.

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

The consolidated financial statements have been presented in US Dollars based on the Company's accounting records which are maintained in US Dollars. For the purpose of presenting its consolidated financial statements in US Dollars, the Company did not translate its financial statements from its functional currency into the presentation currency which constitutes a departure from IAS 21. In addition, the Group has applied the official published exchange rates below, in converting monetary assets and liabilities in foreign currency and transactions in foreign currency, regardless of whether they are onshore or offshore, to the Group's functional currency.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.1 Operating environment of the Group (continued)

*Foreign currencies and exchange rates (continued)*

	2023		2022	
	<i>Rate as at 31 December LL</i>	<i>Average rate for the year ended 31 December LL</i>	<i>Rate as at 31 December LL</i>	<i>Average rate for the year ended 31 December LL</i>
US Dollar	15,000.00	13,875.63	1,507.50	1,507.50
Euro	16,695.00	15,049.23	1,603.83	1,594.38

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon. Subsequent to period end, in January 2024, the official exchange rate increased to US\$/LL 89,500 as published by the Central Bank of Lebanon.

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

In the light of uncertainties, management did not determine the rates at which future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Group has applied the official exchange rates as mentioned in the above table for transactions and balances in foreign currencies.

As the official exchange rate significantly deviates from the exchange rates on the Sayrafa Platform and the parallel markets, this does not represent a reasonable estimate of expected cash flows that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the transaction or of the financial statements. The valuation of the Group's assets and liabilities in foreign currencies at a different rate is expected to significantly impact the Group's consolidated financial statements.

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

***Taxes, social security contributions and related provisions***

Due to the availability of several exchange rates in the Lebanese market, the determination of taxes, social security contributions and related provisions in relation to transactions or activities in foreign currencies are highly sensitive to the exchange rates applied. As a result of the unprecedented events and circumstances, there is high level of judgment involved in deciding on the exchange rates used and any change in these exchange rates, would result in a different determination of taxes, social security contributions and related provisions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

**2.2 Basis of preparation**

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

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

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

*Hyperinflation in Lebanon*

As at 31 December 2023 and 2022, all conditions have been met for the Company's separate financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analyzing the behavior of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 2,005% and 192%, respectively, as at 31 December 2023 (2022: 1,670% and 122%, respectively). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020.

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

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

- (a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.
- (b) In summary, the restatement method under IAS 29 is as follows:
  - (i) Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income/loss for the period for which it is reported.
  - (ii) Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.
  - (iii) Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortisation charges of intangible assets recognised in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

- (iv) Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately, and compare them again, but with the restated amounts.
- (v) At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior-year comparatives are restated in terms of the measuring unit current at the end of the current reporting period, the equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

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

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

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

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of The Lebanese Group for the Development and Reconstruction of Beirut Central District S.A.L. and its controlled subsidiaries drawn up to 31 December of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and

The Group's voting rights and potential voting rights.



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

*Basis of consolidation (continued)*

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

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

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

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

Group entities comprise the following:

Company	Ownership share %		Date of Establishment	Activity
	2023	2022		
Solidere Management Services S.A.L. (*)	-	100	June 2006	Real estate management
Solidere Management Services (Offshore) S.A.L.	100	100	March 2007	Real estate management – dormant
Solidere International Holding S.A.L.	100	100	May 2007	Holding
BHC Holding S.A.L.	100	100	March 2010	Holding

(\*) On 11 July 2023, the Group sold Solidere Management Services S.A.L. to a third party which resulted in a gain of US\$ 2.4million.

Certain prior year information are reclassified to conform with current year 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 real estate development projects; as such, the consolidated statement of financial position is shown as "unclassified" without distinction between current and long-term components. However, classification of financial position items is disclosed in note 31 to the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies

**New and amended standards and interpretations**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the previous year, except for the adoption of the amendment and improvements to standards effective as of 1 January 2023:

- *IFRS 17 Insurance contracts*
- *Definition of accounting estimates – Amendments to IAS 8*
- *Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*
- *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*

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

**Standards issued but not yet effective**

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

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*
- *Lack of exchangeability – Amendments to IAS 21*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- *IFRS 18 – Presentation and Disclosure in Financial Statement*

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

2.4 Material accounting policies

**Foreign currencies**

The functional currency of the Group is the Lebanese Lira whereas the presentation currency is the US Dollars. Transactions denominated in other currencies are translated into Lebanese Lira at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities stated in currencies other than the Lebanese Lira are retranslated at the rates of exchange prevailing at the end of the year. The resulting exchange gain or loss is reflected in the consolidated statement of comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

**Financial instruments**

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

(i) *Financial assets*

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts and notes receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

*Financial assets at amortised cost (debt instruments)*

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

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

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

*Impairment of financial assets*

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

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

For accounts and notes receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial instruments (continued)

(i) Financial assets (continued)

*Impairment of financial assets (continued)*

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Contract balances*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

A receivable represents the Group's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

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

(ii) Derecognition

*Financial assets*

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

- The rights to receive cash flows from the asset have expired, or
- The 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

**Financial instruments (continued)**

*Financial liabilities*

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

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

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

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

*Offsetting*

Financial assets and financial liabilities are only offset and the net amount is reported in the 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 settle the liability simultaneously.

**Inventory of land and projects in progress**

Inventory of land and projects in progress are stated at the lower of cost and estimated net realizable value. Costs include appraisal values of real estate plots constituting the contributions in kind to capital (A shares), in addition to capitalized costs. Capitalized costs comprise the following:

- Project direct costs and overheads related to the properties development, construction and project management as a whole, as well as acquisition, zoning, and eviction costs.
- Indirect costs, such as overheads, which were partially allocated to inventory of land and projects in progress.
- Borrowing cost

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

**Investment properties**

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

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

Buildings	2%
Furniture, fixtures, equipment and other assets	8%-20%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

**Investment properties (continued)**

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

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

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of results of associates and joint ventures' in the consolidated statement of profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

**Investments in associates and joint ventures (continued)**

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

**Property and equipment**

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

Buildings	2%-6%
Marina	2%
Furniture and fixtures	8%
Freehold improvements	8%
Machines and equipment	6%-20%

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

**Impairment of tangible assets**

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

Recoverable amount is defined as the higher of:

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

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

**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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

**Revenue recognition**

The standard introduces a 5 step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue on land and real estate sales transactions is recognized when control is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and when the following conditions are met:

- A sale is consummated, and contracts are signed;
- The buyer's initial (in principle over 25% of sales price) and continuing investments are adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination; and
- 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. Amounts are released to revenue as and when the above conditions are fulfilled.

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

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

**Rental income**

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

**Cost of land sales**

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

**Cash and cash equivalents**

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



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

**2.4 Material accounting policies (continued)**

**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 consolidated 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.

**Taxation**

*Current tax*

Income tax is determined and provided for in accordance with the Lebanese income tax law. Income tax expense is calculated based on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss 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 balance sheet 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. Taxable losses are allowed to be carried forward for the following three consecutive years.

*Deferred tax*

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

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

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

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

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

Current tax and deferred tax relating to items that are credited or charged directly to profit or loss are recognized directly in profit or loss.

**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 date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

**Employees' end-of-service indemnities**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

**Dividends on shares**

Dividends on shares are recognized as a liability and deducted from equity when they are approved by the general assembly of the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

**3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

In the application of the accounting policies described in note 2.4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

*Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

*Impairment of investments in joint ventures and associates*

The Group assesses at each reporting date whether there is indication that an investment may be impaired. If any indication exists, the Group estimates the investment's recoverable amount. When the cost of the investment exceeds the recoverable amount, the investment is considered impaired and a provision for impairment is setup representing the difference between the investment's recoverable amount and its carrying value. The provision is charged to the consolidated statement of profit or loss.

*Estimation of net realizable value for inventory of property*

Inventory property is stated at the lower of cost and net realizable value (NRV). NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment. NRV in respect of inventory of property under construction is assessed with reference to market prices at reporting date for similar completed property, less estimated cost to complete construction, and an estimate of the time value of money to the date of completion.

**4 REVENUES FROM RENDERED SERVICES**

	2023	2022
	US\$	US\$
Broadband network revenues	2,451,199	3,837,661
Services rendered to customers	-	4,600,245
	<u>2,451,199</u>	<u>8,437,906</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5 DEPRECIATION OF AND CHARGES ON RENTED PROPERTIES

	2023 US\$	2022 US\$
Depreciation expense (note 17)	15,125,272	15,088,966
Electricity, maintenance and other related charges	9,321,131	11,749,463
Manpower	5,713,352	18,141,990
Taxes	39,301	246,659
Advertising	14,536	23,393
Charges from tenants	(2,827,587)	(2,636,900)
	<u>27,386,005</u>	<u>42,613,571</u>

Manpower includes reallocated salaries, benefits and related charges in the aggregate amount of US\$ 1,844,811 during the year ended 31 December 2023 (2022: US\$ 1,799,767) (note 7).

6 COST OF RENDERED SERVICES

	2023 US\$	2022 US\$
Broadband network cost of services rendered	3,320,414	5,866,817
Cost of services rendered to customers	-	11,824,819
	<u>3,320,414</u>	<u>17,691,636</u>

Broadband network cost of services rendered includes reallocated salaries, benefits and related charges in the aggregate amount of US\$ 868,722 during the year ended 31 December 2023 (2022: US\$ 1,181,953) (note 7).

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 US\$	2022 US\$
Salaries, benefits and related charges	13,321,843	25,257,125
Termination	2,626,741	2,751,452
Utilities, office, maintenance and other similar expenses	1,605,401	7,390,028
Professional services	1,055,766	1,864,799
Taxes, fees and stamps	424,124	1,872,669
Donations and contributions	129,000	358,250
Board of directors' remuneration	127,500	165,000
Promotion and advertising	90,783	400,472
Travel and accommodation	5,268	30,723
Other expenses	140,814	1,699,411
	<u>19,527,240</u>	<u>41,789,929</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

7 GENERAL AND ADMINISTRATIVE EXPENSES (continued)

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

	2023 US\$	2022 US\$
Charges on rented properties (note 5)	1,844,811	1,799,767
Cost of rendered services (note 6)	868,722	1,181,953
Construction cost (note 16)	-	88,345
	<u>2,713,533</u>	<u>3,070,065</u>

8 ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2023 US\$	2022 US\$
Allowance for expected credit losses on accounts and notes receivable (note 13)	8,220,316	7,688,706
Allowance for expected credit losses on other assets (note 14 (c))	5,503,936	-
Allowance for expected credit losses on related parties (note 14 (b))	1,125,182	-
Write-back of allowance for expected credit losses on bank balances (note 12)	-	(7,688,706)
	<u>14,849,434</u>	<u>-</u>

9 OTHER INCOME

	2023 US\$	2022 US\$
Gain on sale of property and equipment	173,487	-
Income from events and activities	11,455	99,252
Insurance claim reimbursement	-	2,129,853
Other	126,795	33,194
	<u>311,737</u>	<u>2,262,299</u>

10 INTEREST INCOME

	2023 US\$	2022 US\$
Interest income from financial assets at amortized cost	1,358,953	144,123
Interest income from banks	528,494	283,205
	<u>1,887,447</u>	<u>427,328</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

11 BASIC AND DILUTED LOSS PER SHARE

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

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

	2023 US\$	2022 US\$
Net loss for the year	(15,079,690)	(5,165,210)
Weighted average number of shares	<u>161,053,174</u>	<u>161,192,243</u>
Basic and diluted loss per share	<u>(0.094)</u>	<u>(0.032)</u>

12 CASH AND BANKS BALANCES

	2023 US\$	2022 US\$
Cash on hand (a)	1,476,089	6,157,035
Checks for collection	43	8,774
Current accounts	24,257,607	24,743,699
Short term deposits (b)	2,266,329	16,517,097
	<u>28,000,068</u>	<u>47,426,605</u>
Less: allowance for expected credit losses (c)	(1,120,193)	(1,359,471)
	<u>26,879,875</u>	<u>46,067,134</u>

(a) Cash on hand is denominated as follows:

	2023 US\$	2022 US\$
Lebanese Liras	749,081	4,466,213
US Dollars	726,764	1,690,578
Euro	244	244
	<u>1,476,089</u>	<u>6,157,035</u>

(b) Short term deposits mature within three months.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

12 CASH AND BANKS BALANCES (continued)

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

	2023 US\$	2022 US\$
Balance at 1 January	1,359,471	9,048,177
Written-back during the year (note 8)	-	(7,688,706)
Effect of disposal of a subsidiary	(239,278)	-
Balance at 31 December	<u>1,120,193</u>	<u>1,359,471</u>

Net exposure on bank balances as at 31 December 2023 and 2022 is detailed as follows:

	2023			2022		
	Local banks US\$	Foreign banks US\$	Total US\$	Local banks US\$	Foreign banks US\$	Total US\$
Current accounts	20,067,231	4,190,376	24,257,607	21,784,199	2,959,500	24,743,699
Short term deposits	16,329	2,250,000	2,266,329	17,097	16,500,000	16,517,097
	<u>20,083,560</u>	<u>6,440,376</u>	<u>26,523,936</u>	<u>21,801,296</u>	<u>19,459,500</u>	<u>41,260,796</u>
Less: allowance for expected credit losses	(1,120,193)	-	(1,120,193)	(1,359,471)	-	(1,359,471)
	<u>18,963,367</u>	<u>6,440,376</u>	<u>25,403,743</u>	<u>20,441,825</u>	<u>19,459,500</u>	<u>39,901,325</u>

Local bank balances as at 31 December 2023 and 2022 are denominated as follows:

	2023			2022		
	Current accounts US\$	Short term deposits US\$	Total US\$	Current accounts US\$	Short term deposits US\$	Total US\$
US Dollars	19,797,041	16,329	19,813,370	15,684,166	17,097	15,701,263
Lebanese Liras	260,013	-	260,013	6,085,115	-	6,085,115
GBP	8,127	-	8,127	12,616	-	12,616
Euro	2,050	-	2,050	2,302	-	2,302
	<u>20,067,231</u>	<u>16,329</u>	<u>20,083,560</u>	<u>21,784,199</u>	<u>17,097</u>	<u>21,801,296</u>

Local bank balances include an amount of US\$ 19,807,218 (2022: US\$ 15,716,181) subject to the de-facto capital control as described in note 2.1.

Foreign bank balances as at 31 December 2023 and 2022 are denominated in US Dollars.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

13 ACCOUNTS AND NOTES RECEIVABLE, NET

	2023 US\$	2022 US\$
Accounts receivable (a)	9,336,697	7,054,904
Notes receivable (a)	9,169,188	9,169,188
Less: unearned interest	(2,126,170)	(2,126,170)
Less: allowance for impairment on notes and accounts receivable (b)	(11,289,266)	(11,643,466)
	<u>5,090,449</u>	<u>2,454,456</u>
Receivables from tenants (a)	63,936,433	56,966,377
Less: allowance for impairment on receivable from tenants (b)	(62,620,236)	(56,888,768)
	<u>1,316,197</u>	<u>77,609</u>
	<u>6,406,646</u>	<u>2,532,065</u>

(a) Receivables are mainly distributed as follows as at 31 December 2023 and 2022:

	<i>31 December 2023</i>			
	<i>Doubtful balances US\$</i>	<i>Overdue but not impaired US\$</i>	<i>Not yet due US\$</i>	<i>Total US\$</i>
Accounts receivable	4,246,248	850,449	4,240,000	9,336,697
Notes receivable	9,169,188	-	-	9,169,188
Receivables from tenants	62,620,236	-	1,316,197	63,936,433
	<u>76,035,672</u>	<u>850,449</u>	<u>5,556,197</u>	<u>82,442,318</u>
	<i>31 December 2022</i>			
	<i>Doubtful balances US\$</i>	<i>Overdue but not impaired US\$</i>	<i>Not yet due US\$</i>	<i>Total US\$</i>
Accounts receivable	4,600,448	2,454,456	-	7,054,904
Notes receivable	9,169,188	-	-	9,169,188
Receivables from tenants	56,888,768	-	77,609	56,966,377
	<u>70,658,404</u>	<u>2,454,456</u>	<u>77,609</u>	<u>73,190,469</u>

Receivables from tenants include an amount of US\$ 49,893,830 as at 31 December 2023 (2022: US\$ 41,175,541) due from the Lebanese Ministry of Foreign Affairs and Immigrants in respect of the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia - ESCWA.

During 2023, the Group wrote-off doubtful receivables from tenants in the amount of US\$ 104,197 recorded under "Write-off of receivables" in the consolidated statement of profit or loss (2022: US\$ 1,054,129).



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

13 ACCOUNTS AND NOTES RECEIVABLE, NET (continued)

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

	2023 US\$	2022 US\$
Balance at 1 January	68,532,234	99,726,130
Provided during the year (note 8)	8,220,316	7,688,706
Reallocation of provisions provided prior years	-	2,491,347
Write-off (*)	(2,488,848)	(41,373,949)
Effect of sale of a subsidiary	(354,200)	-
Balance at 31 December	<u>73,909,502</u>	<u>68,532,234</u>

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

14 PREPAYMENTS AND OTHER ASSETS

	2023 US\$	2022 US\$
Prepaid expenses	1,717,937	1,727,946
Value added tax (VAT) receivable (a)	788,322	5,715,961
Advances to employees	449,669	800,852
Accrued interest income	281,186	234,048
Due from associates, joint ventures and related parties (b)	156,702	264,792
Advance payments to contractors	115,809	666,871
Other assets, net (c)	622,531	6,624,318
	<u>4,132,156</u>	<u>16,034,788</u>

(a) Value added tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except, where the VAT incurred on a purchase of assets or services is not recoverable from VAT authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. The net amount of VAT recoverable from, or payable to, the VAT authority is included as part of receivables or payables in the consolidated statement of financial position.

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

	2023 US\$	2022 US\$
Balance at 1 January	5,715,961	3,895,209
Additions	593,016	1,820,752
Settlements	(1,318,397)	-
Difference of exchange	(3,424,365)	-
Effect of sale of a subsidiary	(777,893)	-
Balance at 31 December	<u>788,322</u>	<u>5,715,961</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

14 PREPAYMENTS AND OTHER ASSETS (continued)

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

	2023		Net US\$
	Gross carrying amount US\$	Expected credit losses US\$	
BCD Cinemas S.A.L. (Associate)	4,171,578	(4,171,578)	-
Solidere International PLC (Associate)	153,226	-	153,226
City Makers S.A.R.L. (Related party)	3,476	-	3,476
	<u>4,328,280</u>	<u>(4,171,578)</u>	<u>156,702</u>
	2022		Net US\$
	Gross carrying amount US\$	Expected credit losses US\$	
BCD Cinemas S.A.L. (Associate)	3,025,992	(3,025,992)	-
Beirut Waterfront Development S.A.L. (Joint venture)	170,169	(20,460)	149,709
City Makers S.A.R.L. (Related party)	82,822	-	82,822
Solidere International PLC (Associate)	32,261	-	32,261
	<u>3,311,244</u>	<u>(3,046,452)</u>	<u>264,792</u>

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

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

	2023 US\$	2022 US\$
Balance at 1 January	3,046,452	2,823,652
Additions	1,125,182	-
Write-offs	(56)	(241,856)
Reallocation of provisions provided in prior years	-	464,656
Balance at 31 December	<u>4,171,578</u>	<u>3,046,452</u>

(c) Other assets amounting to US\$ 12,824,776 are stated net of provisions in the amount of US\$ 12,202,245 as at 31 December 2023 (2022: US\$ 13,322,627 net of provisions in the amount of US\$ 6,698,309). During 2023, the Group recorded additional provisions amounting to US\$ 5,503,936 (note 8).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

15 FINANCIAL ASSETS AT AMORTIZED COST

	2023 US\$	2022 US\$
US treasury bills	20,603,831	13,853,678
Private corporate bonds	14,900,000	7,850,000
	<u>35,503,831</u>	<u>21,703,678</u>
Current	35,503,831	20,853,678
Non-current	-	850,000
	<u>35,503,831</u>	<u>21,703,678</u>

As at 31 December 2023, the Group holds US treasury bills and private corporate bonds with a total face value amounting to US\$ 36,100,000 (2022: US\$ 21,900,000) with maturities varying between 2023 and 2024. The yield on the bonds varies between 4.0% and 4.2%. The Group's objective is to hold these securities to maturity and collect contractual cash flows.

16 INVENTORY OF LAND PROJECTS IN PROGRESS

	2023 US\$	2022 US\$
Land and land development works, net (a)	756,408,264	758,471,450
Real estate development projects, net (b)	97,639,474	97,548,932
	<u>854,047,738</u>	<u>856,020,382</u>

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

	2023 US\$	2022 US\$
Acquired properties (a.1)	980,215,555	980,215,555
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	962,845,802	962,437,988
Eviction costs (a.4)	260,351,968	260,351,968
Capitalized costs (a.5)	119,536,608	119,536,608
Cumulative costs	<u>2,332,362,735</u>	<u>2,331,954,921</u>
Less: Cost of land sold, net	(1,393,581,632)	(1,391,110,632)
Cost of land transferred to real estate development projects (b)	(176,019,718)	(176,019,718)
Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
	<u>756,408,264</u>	<u>758,471,450</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

16 INVENTORY OF LAND PROJECTS IN PROGRESS (continued)

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

Law No. 117/91 stated the requirements for property recuperation and exemption. In this respect properties appraised at US\$ 255 million were recuperated by original owners and properties appraised at US\$ 133 million 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:

	2023	2022
	US\$	US\$
Sea front defense	360,768,839	360,768,839
Work executed in the traditional BCD area	209,374,818	209,374,818
Land reclamation and treatment	103,897,957	103,897,957
Borrowing costs	48,530,457	48,530,457
Electricity power station	42,931,751	42,931,751
Other costs	197,341,980	196,934,166
	<u>962,845,802</u>	<u>962,437,988</u>

- (a.4) Eviction costs represent the costs of relocating previous settlers out of the BCD area which were mainly paid through the Central Fund for the Displaced (a public authority). This caption is stated net of US\$ 22.2million as of 31 December 2023 (2022: the same) representing a 10% charge on recuperated properties appraised values collected from original owners other than religious and governmental recuperated properties.  
(a.5) Capitalized costs represent allocation of direct overheads. Costs capitalized during the year ended 31 December 2022 before indirect cost reallocation amounted to US\$ 88,345. No costs were capitalized during the year ended 31 December 2023 (note 7).

- (b) Real estate development projects include the following:

	2023	2022
	US\$	US\$
Construction and rehabilitation of buildings	750,986,542	750,896,000
Cost of land (a)	176,019,718	176,019,718
Cumulative costs	<u>927,006,260</u>	<u>926,915,718</u>
Less: Cost transferred to investment properties, net	(754,965,156)	(754,965,156)
Cost transferred to property and equipment	(30,237,375)	(30,237,375)
Cost of real estate sold	(44,164,255)	(44,164,255)
	<u>97,639,474</u>	<u>97,548,932</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

17 INVESTMENT PROPERTIES, NET

	<i>Land</i> <i>US\$</i>	<i>Buildings</i> <i>US\$</i>	<i>Other assets</i> <i>US\$</i>	<i>Total</i> <i>US\$</i>
Cost:				
At 1 January 2023	108,655,894	628,280,531	37,857,838	774,794,263
Additions	-	892,024	150,806	1,042,830
Disposals	(211,400)	(1,313,157)	-	(1,524,557)
Transfers from property and equipment (note 19)	-	35,257	-	35,257
At 31 December 2023	<u>108,444,494</u>	<u>627,894,655</u>	<u>38,008,644</u>	<u>774,347,793</u>
Accumulated depreciation:				
At 1 January 2023	-	133,385,567	32,562,434	165,948,001
Charge for the year	-	12,570,654	2,554,618	15,125,272
Disposals	-	(179,331)	-	(179,331)
At 31 December 2023	<u>-</u>	<u>145,776,890</u>	<u>35,117,052</u>	<u>180,893,942</u>
Net carrying amount:				
At 31 December 2023	<u>108,444,494</u>	<u>482,117,765</u>	<u>2,891,592</u>	<u>593,453,851</u>
	<i>Land</i> <i>US\$</i>	<i>Buildings</i> <i>US\$</i>	<i>Other assets</i> <i>US\$</i>	<i>Total</i> <i>US\$</i>
Cost:				
At 1 January 2022	108,660,839	613,967,452	37,764,484	760,392,775
Additions	-	13,504,984	68,338	13,573,322
Disposals	(556,850)	(2,033,184)	-	(2,590,034)
Transfers from property and equipment (note 19)	551,905	2,841,279	25,016	3,418,200
At 31 December 2022	<u>108,655,894</u>	<u>628,280,531</u>	<u>37,857,838</u>	<u>774,794,263</u>
Accumulated depreciation:				
At 1 January 2022	-	120,984,372	29,816,727	150,801,099
Charge for the year	-	12,366,077	2,722,889	15,088,966
Disposals	-	(465,975)	-	(465,975)
Transfers from property and equipment (note 19)	-	501,093	22,818	523,911
At 31 December 2022	<u>-</u>	<u>133,385,567</u>	<u>32,562,434</u>	<u>165,948,001</u>
Net carrying amount:				
At 31 December 2022	<u>108,655,894</u>	<u>494,894,964</u>	<u>5,295,404</u>	<u>608,846,262</u>

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

Disposals of land, building and other assets during 2023 resulted in a gain of US\$ 254,774 recorded under "Gain on sale and disposal of investment properties" in the consolidated statement of profit or loss for the year ended 31 December 2023 (2022: US\$ 1,025,941).

Depreciation for investment properties in the amount of US\$ 15,125,272 for the year 2023 (2022: US\$ 15,088,966) is recorded under "Charges on rented properties" in the consolidated statement of profit or loss (note 5).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

17 INVESTMENT PROPERTIES, NET (continued)

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

18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2023	2022
	US\$	US\$
Investment in Solidere International PLC (Associate) (b)	369,657,761	345,846,392
Investment in BCD Cinemas S.A.L. (Associate)	1,027,942	1,027,942
Investment in STOW Waterfront Holding S.A.L.	506,000	506,000
Investment in Beirut Waterfront Development S.A.L (Joint Venture) (a)	-	-
Investment in ASB – Downtown S.A.L (Associate)	-	-
	<u>371,191,703</u>	<u>347,380,334</u>
Long term loan to Beirut Waterfront Development S.A.L (Joint Venture) (a)	35,540,000	36,540,000
Less: provision for impairment (a)	(28,538,062)	(28,538,062)
	<u>378,193,641</u>	<u>355,382,272</u>

Investments movement is as follows:

	2023	2022
	US\$	US\$
Balance at 1 January	355,382,272	356,166,471
Change in percentage of ownership of an associate (b)	4,050,940	2,241,738
Share of the results of associates and joint ventures	20,633,105	7,751,588
Settlement of long-term loan to BWD	(1,000,000)	-
Foreign currency translation reserve	14,959	28,477
Share of other changes in equity of associates	(887,635)	(10,806,002)
Balance at 31 December	<u>378,193,641</u>	<u>355,382,272</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	Country of incorporation	Ownership interest %	2023		2022	
			At cost US\$	Group's share of equity US\$	At cost US\$	Group's share of equity US\$
Solidere International PLC (Associate)	UAE	41.79	213,625,788	369,657,761	213,625,788	345,846,392
BCD Cinemas S.A.L. (Associate)	Lebanon	40	8,000	1,027,942	8,000	1,027,942
Beirut Waterfront Development S.A.L. (a) (Joint Venture)	Lebanon	50	11,385,075	-	11,385,075	-
ASB -- Downton S.A.L. (Associate)	Lebanon	24.5	4,877	-	4,877	-
STOW Waterfront Holding S.A.L.	Lebanon	1.68	506,000	506,000	506,000	506,000
			<u>225,529,740</u>	<u>371,191,703</u>	<u>225,529,740</u>	<u>347,380,334</u>

- (a) The Group entered into a joint venture agreement on 11 February 2004, with Stow Waterfront S.A.L. (Holding) to establish Beirut Waterfront Development S.A.L. with a 50% stake in the joint venture's total capital amounting to US\$ 19,900. The main activity of the joint venture is to develop, operate, manage, exploit and sell real estate properties in the Marina area in Beirut Central District. As per the terms of the agreement, on 31 December 2005, the Group sold properties with an aggregate cost of US\$ 10,100,000 from inventory of land and projects in progress, to the joint venture for a total consideration of US\$ 31,600,000. As a result of the sale transaction, the Group realized 50% of the gain on the sale in the amount of US\$ 10,750,000 in profit or loss in 2005 and deferred the unrealized gain on sales in the amount of US\$ 10,750,000, recorded under "deferred revenues" in the consolidated statement of financial position, to be realized after realization of the sale of the properties to third parties. In 2021, the related properties were transferred to the Group and the amount of US\$ 10,750,000 was recorded under "Other income" in the consolidated statement of profit or loss.

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

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

During 2023, the Group received from Beirut Waterfront Development S.A.L. a total amount of US\$ 1,000,000.

- (b) During 2023, Solidere International PLC transferred treasury shares to a related party, which resulted in a dilution of the Group's interest in Solidere International PLC from 42.39% to 41.79% and amounting to US\$ 4,050,940. During 2022, the Group did not participate in the share buyback programs offered by Solidere International PLC but its ownership interest increased indirectly from 42% to 42.39% increasing its share of equity by US\$ 2,241,738.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following table illustrates the summarised financial information of the material associate Solidere International PLC:

	<i>Solidere International PLC</i>	
	2023 US\$	2022 US\$
Total assets	979,182,978	912,641,589
Total liabilities	24,163,008	30,748,440
Non-controlling interest	70,387,672	66,070,803
Net assets	884,632,298	815,822,346
<b>Group's share of net assets</b>	<b>369,657,761</b>	<b>345,846,392</b>
Total revenue	4,510,000	937,427
Total cost of revenue	(3,012,960)	(798,411)
Profit for the year	49,376,840	18,285,379
<b>Group's share of results – profit</b>	<b>20,633,105</b>	<b>7,751,588</b>
<b>Group's share of other comprehensive income</b>	<b>14,859</b>	<b>28,477</b>

19 PROPERTY AND EQUIPMENT, NET

	<i>Land</i> US\$	<i>Buildings</i> US\$	<i>Marina</i> US\$	<i>Furniture and fixtures</i> US\$	<i>Freehold improvements</i> US\$	<i>Machines and equipment</i> US\$	<i>Total</i> US\$
Cost:							
At 1 January 2023	4,854,773	37,517,149	7,972,170	5,511,638	13,941,841	39,965,817	109,763,388
Additions	-	33,062	-	854	1,350	52,371	87,637
Transfers to investment properties (note 17)	-	(35,257)	-	-	-	-	(35,257)
Disposals	-	-	-	-	-	(523,693)	(523,693)
Adjustments	-	-	-	-	25,016	90,722	115,738
Disposal of a subsidiary	-	-	-	(37,450)	-	(4,822)	(42,272)
At 31 December 2023	4,854,773	37,514,954	7,972,170	5,475,042	13,968,207	39,580,395	109,365,541
Accumulated depreciation:							
At 1 January 2023	-	11,498,721	2,763,902	5,335,498	12,804,368	38,594,429	70,996,918
Charge for the year	-	1,087,137	-	76,126	406,670	310,983	1,880,916
Related to disposals	-	-	-	-	-	(471,134)	(471,134)
Adjustments	-	(2)	1	-	-	829	828
Disposal of a subsidiary	-	-	-	(8,069)	-	(30,041)	(38,110)
At 31 December 2023	-	12,585,856	2,763,903	5,403,555	13,211,038	38,405,066	72,369,418
<b>Net carrying amount:</b>							
At 31 December 2023	4,854,773	24,929,098	5,208,267	71,487	757,169	1,175,329	36,996,123



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

19 PROPERTY AND EQUIPMENT, NET (continued)

	<i>Land US\$</i>	<i>Buildings US\$</i>	<i>Marina US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Freehold improvements US\$</i>	<i>Machines and equipment US\$</i>	<i>Total US\$</i>
Cost:							
At 1 January 2022	5,406,678	39,790,480	7,972,170	5,511,638	13,966,857	39,817,656	112,465,479
Additions	-	567,948	-	-	-	157,101	725,049
Transfers to investment properties (note 17)	(551,905)	(2,841,279)	-	-	(25,016)	(8,940)	(3,427,140)
At 31 December 2022	4,854,773	37,517,149	7,972,170	5,511,638	13,941,841	39,965,817	109,763,388
Accumulated depreciation:							
At 1 January 2022	-	10,905,178	2,763,902	5,243,456	12,210,787	38,362,142	69,485,465
Charge for the year	-	1,094,636	-	114,860	593,581	232,287	2,035,364
Transfers to investment properties (note 17)	-	(501,093)	-	(22,818)	-	-	(523,911)
At 31 December 2022	-	11,498,721	2,763,902	5,335,498	12,804,368	38,594,429	70,996,918
Net carrying amount:							
At 31 December 2022	4,854,773	26,018,428	5,208,268	176,140	1,137,473	1,371,388	38,766,470

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>2023 US\$</i>	<i>2022 US\$</i>
Accounts payable (b)	27,393,375	26,882,228
Provision for contingencies (a)	20,750,513	31,252,444
Accrued charges and other liabilities (c)	12,486,705	16,113,890
Provision for end-of-service indemnity and other charges (d)	11,839,034	13,845,824
Due to a related party (f)	473,349	798,821
Taxes payable (e)	422,908	4,307,362
	<u>73,365,884</u>	<u>93,200,569</u>

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

	<i>2023 US\$</i>	<i>2022 US\$</i>
At 1 January	31,252,444	36,148,977
Written-back during the year	(10,010,396)	(2,316,800)
Paid during the year	(491,535)	-
Reallocation	-	(2,579,733)
At 31 December	<u>20,750,513</u>	<u>31,252,444</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES (continued)

(b) Accounts payable as at 31 December 2023 and 2022 include balances in the aggregate amount of US\$ 13.8million due to the Lebanese Government in consideration of the exchange of assets agreement explained in note 27 (h).

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

	2023 US\$	2022 US\$
Accruals for utilities costs	5,354,701	2,994,649
Deposits from tenants	2,027,932	1,693,715
Accruals for project costs	8,952	812,434
Other	5,095,120	10,613,092
	<u>12,486,705</u>	<u>16,113,890</u>

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

	2023 US\$	2022 US\$
Balance at 1 January	13,845,824	10,073,068
Additions, net	2,102,964	4,287,506
Written-back during the year	(710,368)	-
Settlements	(100,586)	(49,104)
Effect of disposal of a subsidiary	(3,298,800)	-
Other	-	(465,646)
Balance at 31 December	<u>11,839,034</u>	<u>13,845,824</u>

(e) Taxes payable consist of the following:

	2023 US\$	2022 US\$
Taxes withheld (e.2)	376,235	4,237,538
Accrued income tax (e.1)	46,489	69,640
Property tax payable	184	184
	<u>422,908</u>	<u>4,307,362</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES (continued)

(e.1) Taxes payable consist of the following:

*Income tax*

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

The accrued income tax for the years 2023 and 2022 are segregated as follows:

	2023	2022
	US\$	US\$
Solidere Management Services (Offshore) S.A.L.	36,488	33,156
BHC Holding S.A.L.	6,667	33,167
Solidere International Holding S.A.L.	3,334	3,317
	<u>46,489</u>	<u>69,640</u>

(e.2) Solidere S.A.L.:

	2023	2022
	US\$	US\$
Loss before tax	(36,782,386)	(11,129,207)
Add: non-deductible reconciling items	31,017,845	12,081,531
Deduct: non-taxable reconciling items	(10,010,396)	-
Net taxable (loss) income	<u>(15,774,937)</u>	<u>952,324</u>
Prior year carried forward losses	(14,716,237)	(15,668,561)
Net carry forward losses	<u>(30,491,174)</u>	<u>(14,716,237)</u>
Applicable tax rate	17%	17%
Income tax expense	<u>-</u>	<u>-</u>

(f) Due to a related party, GroupMed Insurance and Reinsurance Company S.A.L., amounted to US\$ 473,349 as at 31 December 2023 (2022: US\$ 798,821).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

21 DIVIDENDS PAYABLE

<i>General Assembly Date</i>	<i>Dividend per Share US\$</i>	<i>Declared US\$</i>	<i>Settled/Distributed up to 31 December</i>	<i>2023</i>	<i>2022</i>
			<i>2023 US\$</i>	<i>Payable US\$</i>	<i>Payable US\$</i>
29 June 1996	0.2	30,918,413	29,495,086	1,423,327	1,423,472
30 June 1997	0.25	40,367,172	37,750,330	2,616,842	2,617,024
29 June 1998	0.25	39,351,753	36,212,058	3,139,695	3,146,182
23 June 2003	Stock dividend	19,625,550	19,606,235	19,315	19,315
12 June 2006	0.6	94,831,106	90,916,427	3,914,679	3,925,319
22 June 2007	1	155,093,702	148,788,350	6,305,352	6,324,332
15 July 2008	1	155,090,832	146,104,676	8,986,156	8,994,568
13 July 2009	1.15	176,479,956	166,599,048	9,880,908	9,906,244
19 July 2010	1.15	175,228,434	163,912,201	11,316,233	11,330,529
1 August 2011	0.4	60,912,291	57,857,274	3,055,017	3,067,427
1 August 2011	Stock dividend	85,987,850	85,987,850	-	-
30 July 2012	0.25	39,316,239	36,395,792	2,920,447	2,940,205
30 July 2012	Stock dividend	42,744,616	42,744,616	-	-
13 July 2015	0.1	16,015,415	14,788,164	1,227,251	1,235,742
13 July 2015	Stock dividend	36,859,995	36,859,995	-	-
27 June 2016	0.1	16,302,491	13,890,907	2,411,584	2,421,957
27 June 2016	Stock dividend	19,070,313	19,070,313	-	-
		<u>1,204,196,128</u>	<u>1,146,979,322</u>	<u>57,216,806</u>	<u>57,352,316</u>

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

22 DEFERRED REVENUES

	<i>2023 US\$</i>	<i>2022 US\$</i>
Cash down payments and commitments on sale contracts	119,874,443	39,348,681
Deferred rental revenue and related deposits	11,483,435	10,981,326
	<u>131,357,878</u>	<u>50,330,007</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

23 SHARE CAPITAL

Share capital as at 31 December 2023 and 2022 consists of 165,000,000 shares of US\$ 10 par value, authorized and fully paid and divided in accordance with Law 117/91 into the following:

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

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

**Treasury shares**

In its Board of directors meeting held on 20 August 2021, the Board of directors resolved to buy or sell up to 3% of the Company's total shares. During 2023, the Group purchased 737,626 (2022: 31,590) of its shares, for the aggregate amount of US\$ 58.9 million (2022: US\$ 1.39 million).

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

	2023		2022	
	Number of shares	Cost US\$	Number of Shares	Cost US\$
Balance at 1 January	3,746,324	75,416,302	3,714,734	74,027,956
Purchase of treasury shares	737,626	58,895,440	31,590	1,388,346
Balance at 31 December	4,483,950	134,311,742	3,746,324	75,416,302

24 LEGAL RESERVE

In conformity with the Company's and its subsidiaries' articles of incorporation and the Lebanese Code of Commerce, 10 % of the annual net income is required to be transferred to legal reserve until this reserve equals one third of capital. This reserve is not available for dividend distribution.

25 NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	2023 US\$	2022 US\$
Depreciation of investment properties (note 17)	15,125,272	15,088,966
Depreciation of property and equipment (note 19)	1,880,916	2,035,364
Depreciation charge for the year	17,006,188	17,124,330

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

25 NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Non-cash transactions in investing activities include cumulative foreign currency translation reserve, decrease in percentage ownership in associates, transfer of treasury shares to a related party in an associate and Unexercised employees' stock option plan lapse related to an associate in the amounts of US\$ 14,959, US\$ 4,937,907, US\$ 8,988,847 and US\$ 887,635 respectively which were excluded from investment in associates and joint ventures against equity (2022: cumulative foreign currency translation reserve and increase in percentage ownership in associates in the amounts of US\$ 28,477 and US\$ 7,944,364 respectively).

(c) During 2023, the following non-cash transactions were excluded from the statement of cash flows:

- Decrease of US\$ 35,257 in "Property and equipment, net" against increase in "Investment properties, net".

During 2022, the following non-cash transactions were excluded from the statement of cash flows:

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

(d) Cash and cash equivalents comprise the following:

	2023 US\$	2022 US\$
Cash on hand (note 12)	1,476,089	6,157,035
Checks for collection (note 12)	43	8,774
Current accounts (note 12)	24,257,607	24,743,699
Short term deposits (note 12)	2,266,329	16,517,097
	<u>28,000,068</u>	<u>47,426,605</u>

Current accounts and short term deposits include an amount of US\$ 19,807,218 (2022: US\$ 15,716,181) subject to the de-facto capital control as described in note 2.1.

26 RELATED PARTY TRANSACTIONS AND BALANCES

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

26 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions and balances with shareholders:

	2023 US\$	2022 US\$
<i>Local banks – significant but minority shareholders of the Group</i>		
Bank balances	21,313,185	17,310,887
Interest income	155,550	8,326
Commission charges	(53,695)	(113,472)
<i>GroupMed Insurance and Reinsurance Company S.A.L.</i>		
Insurance expenses	425,968	929,136

Certain directors of the Group are members of the boards of directors of banks and an insurance company with whom the Group has various activities.

Transactions with key management personnel

Total benefits of executives and members of the Board of directors (including salary, bonus, remuneration, termination indemnity and others), included within “General and administrative expenses”, for the year ended 31 December 2023 amounted to US\$ 5,192,100 (2022: US\$ 4,311,400).

Other related party transactions

During 2023, the Group purchased treasury shares through a related party and paid an aggregate amount of US\$ 98,240 (2022: US\$ 126,268) as trading commission fees included under cost of treasury shares.

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

Other balances and transactions with related parties are disclosed under notes 14, 18 and 20 to the consolidated financial statements.

27 COMMITMENTS AND CONTINGENCIES

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

In 2022, the Company’s books and records for years from 2016 till 2021 were subject to review by the Department of Income Tax at the ministry of finance. The final report of findings for the year 2016 issued on 24 July 2023, resulted in additional taxes and penalties in the amount of LBP 7billion. In addition, the final report of findings for the year 2017 issued on 18 July 2024, resulted in additional taxes and penalties in the amount of LBP2.66billion. The remaining years from 2018 till 2021 are still under review and management believes that the effect of this review will not have a material impact on the financial statements.

The Company’s books and records for the years 2022 and 2023 have not been reviewed by the Department of Income Tax. Management believes that the effect of any such review will not have a material effect on the financial statements.

- (b) The Company’s books and records for the years from 1 July 2019 till 2023 (inclusive) have not been reviewed by the Department of Value Added Tax. Management believes that the effect of any such review will not have a material effect on the financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

27 COMMITMENTS AND CONTINGENCIES (continued)

- (c) An agreement between the Group and the Council for Development and Reconstruction (“CDR”) was promulgated through Decree No. 5665 dated 21 September 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Group was granted 291,800 sqm of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Group of the sea landfill and infrastructure works.
- (d) The total cost for completion of the BCD project used by management as a basis for determination of cost of sales, and including projected cost to complete estimated at US\$175million, amounted to US\$ 2.3billion as at 31 December 2023 (2022: same).
- (e) Commitments for contracted works not executed as at 31 December 2023 amounted to approximately US\$ 6.8million (2022: US\$ 12.1million) noting that works on most of the projects have been suspended following the Beirut Port explosion and the current economic and political situation in the country.
- (f) In prior periods, the Group submitted to the “CDR” claims aggregating to US\$ 13.6million representing mainly change orders to infrastructure works in the traditional BCD which were incurred by the 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.
- (g) The Group is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors and other parties. On the basis of advice received from the external legal counsel and the 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 position of the Group.
- (h) On 7 June 1997, the Group signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Group acquired additional built-up area of approximately 58,000sqm and 556,340 Class A shares in exchange for approximately 15,000 sqm and the payment of US\$ 38.7million to restore governmental buildings. US\$ 25million have already been paid and accounted for and the balance of US\$ 13.8million continues to be included under accounts payable. According to the terms of the agreement, the 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 as at date and has not been reflected in the accompanying financial statements.
- (i) 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.
- (j) For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Group signed in 2002 an agreement with the Armenian Orthodox prelaty to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900 sqm against ceding of owners’ shares from both lots. Additionally, a built-up area of 5,335 sqm (US\$ 2,700,000) remains as a contingent loss to the Group in case the prelaty decides to build this area within the next 10 years following this agreement. During November 2010, an agreement was signed by both parties in which it was agreed that November 2010 would be the start date for the 10 years period as it represents the date of finalization of parcellation and massing of plots number 1137 and 1138 of Zokak Al Blat area subject to the said agreements. This was not completed as of the date of issuance of these financial statements.



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

27 COMMITMENTS AND CONTINGENCIES (continued)

- (k) The Group is defendant in a lawsuit raised by a Group of jewelers and the jewelers' syndicate. The Group appealed the court's decision in which the Group was required to register certain commercial shops in Beirut Souks. The case was deferred until 4 April 2016 and then deferred to 13 June 2016. A final binding judgment was rendered on 4 July 2019 by the Supreme Court against the Group confirming in substance the judgment rendered by Beirut Court of Appeal and thus ordering the Group to register the units in Beirut Souks in the name of the plaintiffs. Other separate lawsuits were filed in connection with the original lawsuit. As the judgement by the Supreme Court supersedes the separate lawsuits that are still pending, management expects their outcome also to be against the Group. However, management does not expect any additional negative financial impact on the financial statements.
- (l) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US\$ 1,499,841 as at 31 December 2023 (2022: US\$ 2,205,576).
- (m) Following the resolution of the Group's shareholders during 1998 to amend the duration of the Group from 25 years to 75 years, the Council of Ministers issued decree No. 15909 limiting the extension of the Group's duration to 10 years, to become 35 years. During 2016, one of the property owners in the Beirut Central District, filed a claim before the Lebanese State *Shura* Council "مجلس شورى الدولة" against the State of Lebanon, to revoke and suspend the execution of the Council of Ministers decree No. 15909, and citing the Group as a third-party to the claim, which was rejected by the State *Shura* Council. During the same year, the plaintiff asked for a retrial.

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

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

The final outcome of the above cannot be presently determined.

28 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 31 December 2023 and 2022.

The capital structure of the Group consists of debt and equity. Debt consists of total liabilities less cash and bank balances. Equity comprises capital, reserves, (accumulated losses) retained earnings, cumulative foreign currency transactions less treasury shares.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

28 CAPITAL MANAGEMENT (continued)

The Group monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at 31 December 2023 and 2022 was as follows:

	2023 US\$	2022 US\$
Total liabilities	261,940,568	200,882,892
Less: cash and bank balances	(26,879,875)	(46,067,134)
Net debt	<u>235,060,693</u>	<u>154,815,758</u>
Total equity	<u>1,673,673,293</u>	<u>1,744,470,159</u>
Gearing ratio	<u>0.140</u>	<u>0.089</u>

29 RISK MANAGEMENT

The Group's principal financial liabilities comprise dividends payable and accounts payable and other liabilities. The Group has various financial assets such as accounts and notes receivable, cash and bank balances, financial assets at amortized cost and other assets which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Board of directors reviews and agrees policies for managing each of these risks which are summarized below:

(a) Foreign currency risk

Currency risk arises from the possibility that changes in exchange rates will affect the values of the monetary assets and liabilities denominated in foreign currencies in case the Group does not hedge its currency exposure by means of hedging instruments.

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group's monetary assets and liabilities are mostly denominated in US Dollar (US\$) and Lebanese Lira (LL). The LL official exchange rate against the US\$ has been constant since many years at US\$/LL 1,507.5 up to 31 January 2023. As disclosed in note 2 to the consolidated financial statements, on 1 February 2023, the official exchanged rate increased to US\$/LL 15,000 as published by the Central Bank of Lebanon. In addition, subsequent to year end, during January 2024, the official exchange rate increased to US\$/LL 89,500 as published by the Central Bank of Lebanon. However, the de-facto capital control imposed by banks in Lebanon since October 2019 mainly on movement of funds in foreign currencies, caused the creation of the Sayrafa platform and parallel markets with wide range of price variance between the US Dollar official exchange rate and the market and Sayrafa exchange rate. Management is taking steps to address currency risk by matching sources and applications of funds, as applicable.

(b) Credit risk

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

(i) General approach: Bank balances and deposits and financial assets at amortized cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

29 RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) General approach: Bank balances and deposits and financial assets at amortized cost (continued)

	2023		2022	
	Gross carrying amount US\$	Expected credit losses US\$	Gross carrying amount US\$	Expected credit losses US\$
Local banks	20,083,560	(1,120,193)	21,801,296	(1,359,471)
Foreign banks	6,440,376	-	19,459,500	-
<b>Total</b>	<b>26,523,936</b>	<b>(1,120,193)</b>	<b>41,260,796</b>	<b>(1,359,471)</b>

(ii) Simplified approach

For trade accounts receivable, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group's credit risk exposure with respect to accounts and notes receivable is disclosed under note 13 to the consolidated financial statements.

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. The Group manages liquidity risk by maintaining adequate resources and ensuring the availability of necessary facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

Furthermore, as at 31 December 2023 and 2022, the Group's current liabilities exceeded its current assets. In order for the Group to meet its funding requirements and obligations, management setup a sales strategy and collection incentives to increase its liquidity. The Group's current liabilities are mostly from deferred income which is not expected to generate cash outflows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

29 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's liabilities as at 31 December 2023 and 2022 based on contractual undiscounted liabilities:

	2023				Total US\$
	No maturity US\$	Less than 3 months US\$	3-12 months US\$	1 to 5 years US\$	
Accounts payable and other liabilities	21,374,672	6,492,052	-	-	27,866,724
Dividends payable	57,216,806	-	-	-	57,216,806
Other	176,857,038	-	-	-	176,857,038
	<u>255,448,516</u>	<u>6,492,052</u>	<u>-</u>	<u>-</u>	<u>261,940,568</u>
	2022				Total US\$
	No maturity US\$	Less than 3 months US\$	3-12 months US\$	1 to 5 years US\$	
Accounts payable and other liabilities	22,810,198	4,870,851	-	-	27,681,049
Dividends payable	57,352,316	-	-	-	57,352,316
Other	115,849,527	-	-	-	115,849,527
	<u>196,012,041</u>	<u>4,870,851</u>	<u>-</u>	<u>-</u>	<u>200,882,892</u>

30 OPERATING SEGMENTS

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

- Real estate sales
- Real estate rental and rendered services

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

	2023			Total US\$
	Real estate sales US\$	Real estate rental and rendered services US\$	Eliminations US\$	
Total assets	1,198,385,238	786,870,326	(49,641,703)	1,935,613,861
Total liabilities	<u>174,938,430</u>	<u>87,171,732</u>	<u>(169,594)</u>	<u>261,940,568</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

30 OPERATING SEGMENTS (continued)

	2022			
	<i>Real estate sales</i> US\$	<i>Real estate rental and rendered services</i> US\$	<i>Eliminations</i> US\$	<i>Total</i> US\$
Total assets	1,209,897,995	811,415,200	(75,960,144)	1,945,353,051
Total liabilities	127,554,496	74,002,722	(674,326)	200,882,892

	2023			
	<i>Real estate sales</i> US\$	<i>Real estate rental and rendered services</i> US\$	<i>Eliminations</i> US\$	<i>Total</i> US\$
Revenues	5,038,267	29,179,763	-	34,218,030
Cost of revenues	(2,471,000)	(30,706,419)	-	(33,177,419)
Gain on sale and disposal of investment properties	-	254,774	-	254,774
Net revenues from operations	2,567,267	(1,271,882)	-	1,295,385
Share results of associates and joint ventures	-	20,633,105	-	20,633,105
General and administrative expenses	(17,561,162)	(1,966,078)	-	(19,527,240)
Selling expenses	(104,792)	-	-	(104,792)
Depreciation of property and equipment	(1,692,824)	(188,092)	-	(1,880,916)
Allowance for expected credit losses	(6,629,118)	(8,220,316)	-	(14,849,434)
Write-off of receivables	-	(104,197)	-	(104,197)
Gain on sale of a subsidiary	-	2,394,468	-	2,394,468
Write-back of provision for contingencies	10,010,396	-	-	10,010,396
Other expense	(234,909)	-	-	(234,909)
Other income	-	311,737	-	311,737
Interest income	1,887,447	-	-	1,887,447
Bank charges and commissions	(535,948)	(5,097)	-	(541,045)
Gain on foreign exchange, net	(14,189,820)	(169,859)	-	(14,359,679)
Loss before tax	(26,483,463)	11,413,789	-	(15,069,674)
Income tax expense	-	(10,016)	-	(10,016)
Loss for the year	(26,483,463)	11,403,773	-	(15,079,690)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

30 OPERATING SEGMENTS (continued)

	2022			
	<i>Real estate sales US\$</i>	<i>Real estate rental and rendered services US\$</i>	<i>Eliminations US\$</i>	<i>Total US\$</i>
Revenues	29,598,477	55,761,761	(15,896,128)	69,464,110
Cost of revenues	(11,502,400)	(74,723,332)	14,418,125	(71,807,607)
Gain on sale and disposal of investment properties	-	1,025,941	-	1,025,941
Net (losses) revenues from operations	18,096,077	(17,935,630)	(1,478,003)	(1,317,556)
Share results of associates and joint ventures	-	7,751,588	-	7,751,588
General and administrative expenses	(36,622,208)	(5,167,721)	-	(41,789,929)
Selling expenses	(127,204)	-	-	(127,204)
Depreciation of property and equipment	(1,828,670)	(606,694)	400,000	(2,035,364)
Write-off of receivables	-	(1,054,129)	-	(1,054,129)
Write-back of provision for contingencies	-	2,316,800	-	2,316,800
Other expense	(581,834)	-	-	(581,834)
Other income	-	2,262,299	-	2,262,299
Interest income	427,328	-	-	427,328
Bank charges and commissions	(430,705)	(34,590)	-	(465,295)
Gain on foreign exchange, net	25,191,940	4,325,786	-	29,517,726
Loss before tax	4,124,724	(8,142,291)	(1,078,003)	(5,095,570)
Income tax expense	-	(69,640)	-	(69,640)
Loss for the year	4,124,724	(8,211,931)	(1,078,003)	(5,165,210)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

31 CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

	2023 US\$	2022 US\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and banks balances	26,879,875	46,067,134
Accounts and notes receivables, net	4,906,646	2,532,065
Prepayments and other assets	4,132,156	16,034,788
Financial assets at amortized cost	35,503,831	20,853,678
<b>Total current assets</b>	<b>71,422,508</b>	<b>85,487,665</b>
<b>Non-current assets</b>		
Accounts and notes receivables, net	1,500,000	-
Financial assets at amortized cost	-	850,000
Inventory of land and project in progress	854,047,738	856,020,382
Investment properties, net	593,453,851	608,846,262
Investment in joint ventures and associates	378,193,641	355,382,272
Property and equipment, net	36,996,123	38,766,470
<b>Total non-current assets</b>	<b>1,864,191,353</b>	<b>1,859,865,386</b>
<b>TOTAL ASSETS</b>	<b>1,935,613,861</b>	<b>1,945,353,051</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and other liabilities	42,183,066	50,897,317
Dividend payable	57,216,806	57,352,316
Deferred revenue	131,357,878	50,330,007
<b>Total current liabilities</b>	<b>230,757,750</b>	<b>158,579,640</b>
<b>Non-current liabilities</b>		
Accounts payable and other liabilities	31,182,818	42,303,252
<b>Total non-current liabilities</b>	<b>31,182,818</b>	<b>42,303,252</b>
<b>Total liabilities</b>	<b>261,940,568</b>	<b>200,882,892</b>
<b>Equity</b>		
Issued capital at par value US\$ 10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	<b>1,650,000,000</b>	<b>1,650,000,000</b>
Legal reserve	170,650,942	170,816,724
Accumulated losses	(12,681,725)	(931,122)
Cumulative foreign translation reserve	15,818	859
Less: treasury shares	(134,311,742)	(75,416,302)
<b>Total equity</b>	<b>1,673,673,293</b>	<b>1,744,470,159</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,935,613,861</b>	<b>1,945,353,051</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

32 FAIR VALUE MEASUREMENT

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 2. The summary of the Group's classification of each class of assets and liabilities and their fair values are as follows:

		2023				
		Carrying amount US\$	Fair value			Total US\$
Notes	Level 1 US\$		Level 2 US\$	Level 3 US\$		
<b>Financial assets measured at:</b>						
<i>Amortized cost</i>						
Cash and banks balances	12	26,879,875	8,988,809	17,891,066	-	26,879,875
Accounts and note receivable	13	6,406,646	-	-	6,406,646	6,406,646
Due from associates and joint related parties	14	156,702	-	-	156,702	156,702
Other assets	14	622,531	-	-	622,531	622,531
Financial assets at amortized cost	15	35,503,831	20,603,831	14,900,000	0	35,503,831
		<u>69,569,585</u>	<u>29,592,640</u>	<u>32,791,066</u>	<u>7,185,879</u>	<u>69,569,585</u>
<b>Financial liabilities measured at:</b>						
<i>Amortized cost</i>						
Accounts payable and other liabilities	20	27,866,724	-	-	27,866,724	27,866,724
Dividends payable	21	57,216,806	-	-	57,216,806	57,216,806
		<u>85,083,530</u>	<u>-</u>	<u>-</u>	<u>85,083,530</u>	<u>85,083,530</u>
		2022				
		Carrying amount US\$	Fair value			Total US\$
Notes	Level 1 US\$		Level 2 US\$	Level 3 US\$		
<b>Financial assets measured at:</b>						
<i>Amortized cost</i>						
Cash and banks balances	12	46,067,134	31,701,650	14,365,484	-	46,067,134
Accounts and note receivable	13	2,532,065	-	-	2,532,065	2,532,065
Due from associates and joint related parties	14	264,792	-	-	264,792	264,792
Other assets	14	1,955,073	-	-	1,955,073	1,955,073
Financial assets at amortized cost	15	21,703,678	21,703,678	-	-	21,703,678
		<u>72,522,742</u>	<u>53,405,328</u>	<u>14,365,484</u>	<u>4,751,930</u>	<u>72,522,742</u>
<b>Financial liabilities measured at:</b>						
<i>Amortized cost</i>						
Accounts payable and other liabilities	20	26,395,091	-	-	26,395,091	26,395,091
Dividends payable	21	57,352,316	-	-	57,352,316	57,352,316
		<u>83,747,407</u>	<u>-</u>	<u>-</u>	<u>83,747,407</u>	<u>83,747,407</u>

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

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