Deloitte. ERNST & YOUNG

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

We have audited the accompanying consolidated financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. and its Subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management and Directors' Responsibility for the Financial Statements
Management and Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards.This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. and its Subsidiaries (the Group) as of December 31, 2007, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 31, 2008

Deloitte & Touche

Ernst & Young

CONSOLIDATED BALANCE SHEET

December 31,	Notes	2007 US$	2006 US$
Assets			
Cash and bank balances	7	327,847,633	106,202,604
Prepayments and other debit balances	8	34,449,004	28,253,397
Accounts and notes receivable, net	9	318,734,724	348,942,550
Investment securities	10	10,063,020	8,610,673
Inventory of land and projects in progress	11	1,404,710,655	1,457,804,977
Investment properties, net	12	150,349,040	150,651,813
Investment in an associate	13	287,458,659	-
Fixed assets, net	14	35,641,877	26,115,483
Total Assets		**2,569,254,612**	2,126,581,497
Liabilities			
Bank overdrafts and short term facilities	15	181,186,491	48,362,001
Accounts payable and other liabilities	16	99,357,927	83,323,709
Dividends payable	17	46,212,797	30,877,712
Deferred revenues and other credit balances	18	233,147,452	168,305,793
Deferred credits under structured contracts	19	170,280,000	-
Loans from banks and financial institutions	20	7,041,163	27,062,700
Total Liabilities		737,225,830	357,931,915
Equity			
Issued capital at par value US$10 per share:	21		
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	22	75,543,036	59,935,830
Retained earnings		263,175,988	209,685,044
Cumulative changes in fair value of available-for-sale securities	10	147,492	38,760
Surplus on sale of treasury shares		11,653,751	11,653,751
Less: Treasury shares	23	(168,491,485)	(162,663,803)
Total Equity		1,832,028,782	1,768,649,582
Total Liabilities and Equity		**2,569,254,612**	2,126,581,497

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

CONSOLIDATED INCOME STATEMENT

December 31,	Notes	2007 US$	2006 US$
Revenues from land and real estate sales		288,467,975	253,344,014
Revenues from rented properties		20,775,368	20,719,451
Revenues from project management and consulting services		690,845	2,066,977
Cost of land and real estate sales		(114,089,596)	(114,584,398)
Charges on rented properties	24	(7,070,296)	(6,457,583)
Cost related to project management and consulting services		(86,127)	(1,831,969)
(Loss)/gain on sale of investment properties	12	(824,099)	264,974
Net revenues from operations		187,864,070	153,521,466
Share result from an associate	13	68,030,929	-
General and administrative expenses	25	(18,086,723)	(14,304,800)
Depreciation of fixed assets	14	(1,494,267)	(1,699,106)
Provision against land development cost	11	(7,882,327)	(3,036,061)
Other taxes	16	(670,059)	(1,319,859)
Provision for doubtful receivables	9	(314,962)	-
Other expense, net	26	(1,854,289)	-
Interest income	27	40,151,525	27,211,687
Interest expense		(15,885,954)	(7,173,307)
Profit before tax		249,857,943	153,200,020
Income tax expense	16	(25,666,091)	(21,033,071)
Profit for the year		**224,191,852**	132,166,949
Basic/diluted earnings per share	28	**1.4450**	0.8375

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital US$	Legal Reserve US$	Treasury Shares US$	Retained Earnings US$	Cumulative Changes in Fair Value of Interest Rate Swap Agreement US$	Cumulative Changes in Fair Value of Available-for-sale Securities US$	Surplus on Sale of Treasury Shares US$	Total US$
Balance at December 31, 2005	1,650,000,000	46,717,354	(38,540,193)	185,567,677	(861,982)	(233,180)	2,508,180	1,845,157,856
Profit for the year - 2006	-	-	-	132,166,949	-	-	-	132,166,949
Change in fair value of interest rate swap agreement	-	-	-	-	861,982	-	-	861,982
Change in fair value of available-for-sale securities	-	-	-	-	-	271,940	-	271,940
Total result of the year	-	-	-	132,166,949	861,982	271,940	-	133,300,871
Surplus on sale of treasury shares	-	-	-	-	-	-	9,145,571	9,145,571
Allocation to legal reserve from 2006 profit	-	13,218,476	-	(13,218,476)	-	-	-	-
Treasury shares trade	-	-	(124,123,610)	-	-	-	-	(124,123,610)
Dividends – Note 17	-	-	-	(94,831,106)	-	-	-	(94,831,106)
Balance at December 31, 2006	1,650,000,000	59,935,830	(162,663,803)	209,685,044	-	38,760	11,653,751	1,768,649,582
Profit for the year - 2007	-	-	-	224,191,852	-	-	-	224,191,852
Change in fair value of available-for-sale securities	-	-	-	-	-	108,732	-	108,732
Total result of the year	-	-	-	224,191,852	-	108,732	-	224,300,584
Allocation to legal reserve from 2007 profit	-	15,607,206	-	(15,607,206)	-	-	-	-
Treasury shares trade	-	-	(5,827,682)	-	-	-	-	(5,827,682)
Dividends – Note 17	-	-	-	(155,093,702)	-	-	-	(155,093,702)
Balance at December 31, 2007	**1,650,000,000**	**75,543,036**	**(168,491,485)**	**263,175,988**	**-**	**147,492**	**11,653,751**	**1,832,028,782**

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

CONSOLIDATED CASH FLOW STATEMENT

December 31,	Notes	2007 US$	2006 US$
Cash flows from operating activities			
Profit for the year before income tax		249,857,943	153,200,020
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	29	4,340,875	4,577,012
Loss/(gain) on sale of investment properties	12	824,099	(264,974)
Loss on sale of fixed assets		120,882	-
Provision for doubtful receivables	9	314,962	-
Provision for contingencies and other charges	16(d)	2,876,491	837,921
Share result from an associate	13	(68,030,929)	-
Interest income	27	(40,151,525)	(27,211,687)
Interest expense	29	16,524,567	8,153,514
Changes in fair value of interest rate swap agreement		-	1,012,279
Changes in working capital:			
Prepayments and other debit balances	8(b)	3,234,418	5,660,430
Accounts and notes receivable	29	29,829,496	(76,482,211)
Inventory of land and projects in progress	29	35,649,881	70,497,438
Accounts payable and other liabilities	29	(3,160,065)	4,166,342
Deferred revenues and other credit balances	8(b)	64,841,659	113,206,367
Interest received		30,721,497	18,877,780
Income tax paid		(21,156,116)	(17,159,028)
Net cash provided by operating activities		306,638,135	259,071,203
Cash flows from investing activities			
Pledged term deposits with banks		18,434,911	3,865,440
Investment securities	29	(1,324,427)	1,288,697
Receivable from recuperated properties	29	217,008	413,000
Acquisition of fixed assets	14&29	(4,633,587)	(2,426,067)
Acquisition of investment properties	12	(378,731)	(467,206)
Proceeds from sale of fixed assets		250,001	-
Proceeds from sale of investment properties	12	7,697,283	960,446
Investment in an associate	13	(219,427,730)	-
Net cash (used in)/provided by investing activities		(199,165,272)	3,634,310
Cash flows from financing activities			
Bank loans (settlement)		(20,021,537)	(102,336,359)
Dividends paid	17	(132,003,932)	(74,220,101)
Deferred credits under structured contracts	19	170,280,000	-
Treasury shares		(5,981,322)	(136,294,710)
Proceeds from sales of treasury shares		-	17,714,145
Interest paid		(12,490,622)	(7,377,811)
Net cash used in financing activities		(217,413)	(302,514,836)
Net change in cash and cash equivalents		107,255,450	(39,809,323)
Cash and cash equivalents — Beginning of the year		32,220,220	72,029,543
Cash and cash equivalents — End of the year	29	**139,475,670**	**32,220,220**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. FORMATION AND OBJECTIVE OF THE COMPANY

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

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

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

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

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

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

The Company's shares are listed on the Beirut stock exchange and Global Depository Receipts (GDR) are listed on the London stock exchange (International Trading List).Furthermore, the Company's shares were listed on the Kuwait stock exchange during the year 2005 and were de-listed during the first quarter of the year 2007.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2006, except for the adoption of new standards and interpretations noted below. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. They did, however, give rise to additional disclosures.

IAS 1, "Amendment – Capital disclosure" effective from January 1, 2007 requires the Group to make new disclosures to enable the users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

IFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after January 1, 2007, requires disclosures that enable the users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

Standards, Interpretations and Amendments to Published Standards that are issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Group has not early adopted, as follows:

IFRIC 11, "Group and Treasury Share Transactions" is effective for annual periods beginning on or after March 1, 2007 and requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an entity even if the entity chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity instruments granted.

Amendment to IAS 23 "Borrowing costs" (effective for annual periods beginning on or after January 1, 2009) eliminates the benchmark treatment of expensing all borrowing costs in the case of qualifying assets to the income statement. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Amendments to IAS 1 (effective for annual periods beginning on or after January 1, 2009) which has been revised to enhance the usefulness of information presented in the financial statements.Of the main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in profit or loss together with "other comprehensive income"; and the statement of financial position as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet when the entity applies an accounting policy retrospectively or makes retrospective restatement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Group entities comprise the following:

Company	Ownership Share	Date of Establishment
Beirut Water Front Development s.a.l. (Joint Venture) (Proportionate consolidation)	50	April 2004
Beirut Real Estate Management and Services s.a.l. (Joint Venture), (Proportionate consolidation)	45	September 2005
Solidere Management Services s.a.l.	100	June 2006
Solidere Management Services (Offshore) s.a.l	100	March 2007
Solidere International Holding s.a.l.	100	May 2007

The significant accounting policies adopted are set here below:

A. Basis of Presentation
In view of the long term nature and particulars of the Group's operations, the financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Group and which are subject to market conditions and other factors commonly associated with development projects; as such, the balance sheet is shown as "unclassified" without distinction between current and long-term components.

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

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

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

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

E. Financial Instruments
Financial assets and financial liabilities are recognized on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

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

Held-to-Maturity Securities
Held-to-maturity securities, which have fixed or determinable payments and which are intended to be held to maturity, are subsequently measured at amortized cost, less provision for impairment in value.This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. Amortized cost is calculated by taking into account any discount or premium on acquisition.

Impairment loss on such investments is recognized in the income statement.

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

Available-for-Sale Securities
Available-for-sale securities are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category.After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognized net of deferred tax as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement.

Fair Value
The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using

valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and other pricing models.

Derecognition

Financial assets

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

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

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

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

Financial liabilities

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

Offsetting

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

F. Inventory of Land and Projects in Progress

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

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

G. Investment Properties

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

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

Buildings	2%
Furniture, fixtures, equipment and other assets	9%-15%

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

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

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

H. Interest in Joint Ventures

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

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

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

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

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

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

I. Investments in Associates

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

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

J. Fixed Assets

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

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

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

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

Recoverable amount is defined as the higher of:

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in 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 income statement.

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

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

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

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

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

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

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

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

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

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

O. Deferred Credits under Structured Contracts
Treasury shares sold where the buyer has the option to put back to the Group the shares at a predetermined price and the Group has the option to buy back these shares at the same price, are treated as deferred credits under structured contracts. The difference between the original sales proceeds and option strike price is treated as interest which is accrued using the effective interest rate method.

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

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

Q. Bank Borrowings
Interest-bearing bank loans and overdrafts are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized in profit or loss over the term of the borrowings through the amortization process, using the effective interest rate method. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

R. Trade and other payables
Trade and other payables are initially measured at fair value. Due to their short-term nature, the carrying amount of trade and other payables approximates their fair values as of December 31, 2007 and 2006. Average maturity dates of trade payables range between 30-90 days. Short duration payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

S. Derivative Financial Instruments
Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

T. Taxation

Current Tax

In accordance with law No. 117/91, the Company was exempt from corporate income tax on profit for a period of 10 years from the date of establishment, ending on May 10, 2004.

Effective May 10, 2004, income tax is determined and provided for in accordance with the Lebanese tax laws. Income tax expense is calculated based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in future years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted at the balance sheet date. Provision for income tax is reflected in the balance sheet net of taxes previously settled in the form of withholding tax.

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

Deferred tax

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

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

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

The carrying amount of deferred income tax assets is reviewed at each 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 equity are recognized directly in equity.

Value added tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

V. Employees' End-of-Service Benefits

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

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

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

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

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

Impairment of accounts and notes receivable

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

At the balance sheet date, accounts and notes receivable amounted to US$68,961,930 and US$289,075,956 respectively, and the provision for doubtful debts amounted to US$451,320 as of the balance sheet date. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the income statement.

Useful lives of fixed assets

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

5. INTEREST IN JOINT VENTURES

The Company has interest in joint ventures as follows:

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

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

b. The Group entered into a joint venture agreement on December 23, 2005, with Aswaq Management and Services L.L.C. to establish Beirut Real Estate Management and Services s.a.l., with a 45% stake in the joint venture's capital amounting to US$19,900. The main activity of the joint venture is to manage and market Aswaq Beirut Project (under construction) which is owned by the Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l.

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities at December 31, 2007 and 2006, included in the consolidated financial statements, are as follows:

December 31,	2007 US$	2006 US$
Assets		
Cash and bank balances	11,435,184	13,498,710
Prepayments and other debit balances	257,593	559,967
Inventory of land and projects in progress	10,850,050	7,933,467
Fixed assets, net	70,503	81,085
	22,613,330	22,073,229
Liabilities		
Accounts payable and other liabilities	3,980,398	716,140
Deferred revenues and other credit balances	-	168,565
	3,980,398	884,705

Income and expenses

	2007 US$	2006 US$
Revenues from consulting services	482,544	24,747
General and administrative expenses	(275,492)	(417,482)
Depreciation	(14,468)	(15,220)
Interest income	656,582	583,279
Interest expense	(429,668)	-
Income for the year before income tax	419,498	175,324
Income tax	(60,382)	(41,346)
Income for the year	359,116	133,978

6. SEGMENT REPORTING

The business segments' reporting is determined as the Group's risk and rates of return are affected predominantly by differences in the products and services. The geographical operating segment offers products and services through a specific economic environment and is subject to risks and returns that differ from other economic environments and is considered the primary segment. The Group has no secondary segment.

The Group operates in two geographic markets, the Lebanese market and the Middle East market consisting primarily of the United Arab Emirates (UAE). The following table shows the distribution of the Group's revenues, profit for the year, total assets and total liabilities by geographical segment.

	Lebanon US$	Middle East US$	Total US$
Revenues	288,467,975	-	288,467,975
Profit for the year	156,160,923	68,030,930	224,191,853
Total assets	2,281,795,954	287,458,659	2,569,254,613
Total liabilities	737,225,830	-	737,225,830

7. CASH AND BANK BALANCES

Cash and bank balances are composed of the following:

December 31,	2007 US$	2006 US$
Cash on hand	85,026	98,749
Current accounts	11,064,074	19,515,034
Short term deposits	309,513,061	60,968,438
	320,662,161	80,582,221
Pledged term deposits	7,185,472	25,620,383
	327,847,633	106,202,604

Short term deposits mature in January 2008 (December 31, 2006: Short term deposits mature in January 2007). The average yield on the term deposits as of December 31, 2007 was approximately 5.5% (5.86% for the year ended December 31, 2006).

Pledged term deposits include an amount of US$16.7million as of December 31, 2006 pledged against the loan provided to the Group and guaranteed by "COFACE" as explained in Note 20. The loan was fully settled during 2007. Pledged term deposits also include deposits of US$7million as of December 31, 2007 (US$8.9million as of December 31, 2006) pledged against a stand-by letter of credit to the extent of about US$3.5million (US$3.5million as of December 31, 2006) and against a local bank's loan to the extent of US$3million (US$5million as of December 31, 2006) as explained under Note 20 and Note 31(h).

8. PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances are composed of the following:

December 31,	2007 US$	2006 US$
Advance payments to contractors (a)	8,880,279	8,417,396
Advances to employees	2,006,704	1,656,325
Accrued interest income (b)	9,430,026	8,333,907
Prepaid expenses	2,278,275	2,482,895
Deferred tax assets (c)	2,277,120	1,945,160
Due from related parties (d)	3,808,163	-
Other debit balances (e)	5,768,437	5,417,714
	34,449,004	28,253,397

a. Advance payments to contractors include an amount of US$7,030,531 as of December 31, 2007 (US$5,788,093 as of December 31, 2006) relating to a contractor involved in the execution of the "Aswaq Beirut" project.

b. Accrued interest income consists of the following:

December 31,	2007 US$	2006 US$
Interest on bank deposits	1,993,894	157,118
Interest on notes and accounts receivables	7,436,132	8,176,789
	9,430,026	8,333,907

c. Deferred tax assets caption consists of the following:

December 31,	2007 US$	2006 US$
Deferred tax assets on unrealized profits from sales to a joint venture – Note 5 (a)	1,612,500	1,612,500
Deferred tax assets on cost of land sold – Note 16 (c)	664,620	332,660
	2,277,120	1,945,160

d. Due from related parties caption consists of the following:

December 31,	2007 US$	2006 US$
Solidere International Limited	3,801,413	-
Brems International s.a.l. (Offshore)	6,750	-
	3,808,163	-

The above balances are interest free.

e. Other debit balances include an amount of US$2,358,000 as of December 31, 2007 and 2006 representing a claim receivable in connection with an arbitration regarding a dispute with one of the Group's contractors as explained under Note 31 (j).

9. ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable are composed of the following:

December 31,	2007 US$	2006 US$
Notes receivable	289,075,956	342,970,140
Accounts receivable	68,961,930	63,709,387
Receivables from tenants	6,539,940	5,945,936
Interest receivable on discounted notes	801,730	825,954
Less: Unearned interest	(46,193,512)	(64,157,547)
Less: Provision for problematic receivables	(451,320)	(351,320)
	318,734,724	348,942,550

The Group's credit risk exposure is spread over 118 counter-parties; 6 customers constitute 54% of the total exposure and 101 customers constitute the remaining 46% as of December 31, 2007 (as of December 31, 2006, 107 counter-parties; 6 customers constitute 48% of the total exposure and 101 customers constitute the remaining 52%).

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

December 31,	2007 US$	2006 US$
Doubtful balances	470,605	365,935
Overdue	66,860,055	878,141
2007	-	180,001,959
2008	95,993,211	60,421,455
2009	61,247,873	51,433,966
2010	36,640,650	29,958,591
2011	27,863,562	19,910,093
	289,075,956	342,970,140

As at December 31, the ageing analyses of notes receivable is as follows:

December 31,	2007 US$	2006 US$
Doubtful balances	470,605	365,935
Past due but not impaired:		
<30 days	1,209,669	878,141
30-60 days	1,584,752	-
>120 days	64,065,634	-
	66,860,055	878,141
Neither past due nor impaired	221,745,296	341,726,064
	289,075,956	342,970,140

The average yield on accounts and notes receivable is mainly dependant on the Libor rate and was 9.97% as of December 31, 2007 (7.12% as of December 31, 2006).

In previous years, provision for problematic receivables has been established to meet probable defaults of certain clients whose notes receivable aggregated to US$470,605 as of December 31, 2007 (US$365,935 as of December 31, 2006).

The movement in the provision for problematic receivables during the year was as follows:

	2007 US$	2006 US$
Balance at the beginning of the year	351,320	351,320
Additions	314,962	-
Write-offs	(214,962)	-
Balance at the end of the year	**451,320**	351,320

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

10. INVESTMENT SECURITIES

During 2006 and 2007, the Group purchased several investments in capital guaranteed structured products, issued by foreign financial institutions, whereby a considerable part of the price was financed by a loan from the issuing foreign bank. The financial assets and the financial liabilities resulting from these transactions are offset and the net amount is reported in the balance sheet since the Group has a legally enforceable right of set-off and the Group intends to settle them on a net basis at maturity. Coupon rates depend on certain conditions being satisfied which vary depending on the instrument, but mainly are related to the Libor rate. The average yield on these investment securities amounted to 6.12% in 2007 (6.12% during the year 2006).

The details of the above investments are as follows:

December 31,	2007							2006		
	Maturity Date	Book Value US$	Leverage with right of set-off US$	Net Value US$	Conditional Coupon Rate %	Interest on Leverage	Fair Market Value US$	Book Value US$	Leverage with right of set-off US$	Net Value US$
Held-to-Maturity										
USD Spread Callable Range Accrual Note	23/02/2014	5,000,000	1,450,000	3,550,000	6.10	3ML + 0.75%	4,766,500	5,000,000	1,990,000	3,010,000
4 year CPU MULTIPLUS on Asian Indices	26/03/2008	2,000,000	2,194,000	(194,000)	6.00	1YL + 0.75%	3,457,200	2,000,000	2,075,000	(75,000)
10-year USD "Momentum" Callable Range Accrual Note	16/03/2015	2,995,500	1,400,000	1,595,500	6.65	3ML + 0.5%	2,802,000	2,995,500	1,509,716	1,485,784
		9,995,500	5,044,000	4,951,500			11,025,700	9,995,500	5,574,716	4,420,784
Available-for-sale										
7-year Non-Call 3 months Knock-out Callable Range Note[1]	29/03/2012	3,000,000	750,000	2,250,000	5.60	3ML + 0.5%	2,983,920	3,000,000	803,711	2,196,289
7-year USD Callable Range Accrual Puttable Note[1]	25/04/2016	2,688,000	-	2,688,000	6.20	3ML + 0.5%	2,877,600	2,688,000	740,000	1,948,000
		5,688,000	750,000	4,938,000			5,861,520	5,688,000	1,543,711	4,144,289
Total investments in securities at net book value		**15,683,500**	**5,794,000**	9,889,500			**16,887,220**	**15,683,500**	**7,118,427**	8,565,073
Add/(Less): Change in fair value of available-for-sale securities				173,520						45,600
Investment securities				**10,063,020**						**8,610,673**

1The Company has a put option to sell back the notes to the issuer at 100% provided certain conditions are met.

The change in fair market value of the available-for-sale securities is recorded under "Cumulative changes in fair value of available-for-sale securities" in equity net of deferred tax liability in the amount of US$26,028 as of December 31, 2007 (net of deferred tax liability in the amount of US$6,840 as of December 31, 2006).

11. INVENTORY OF LAND AND PROJECTS IN PROGRESS

Inventory of land and projects in progress consists of the following:

December 31,	**2007** US$	2006 US$
Land and land development works, net (a)	1,190,541,499	1,270,422,013
Real estate development projects, net (b)	214,169,156	187,382,964
	1,404,710,655	1,457,804,977

Land and land development works include the following cost items:

December 31,	**2007** US$	2006 US$
Acquired properties (a.1)	959,007,209	959,007,209
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	672,458,067	638,602,752
Eviction costs (a.4)	259,741,166	260,068,716
Capitalized costs (a.5)	64,456,116	62,289,085
Cumulative costs	1,965,075,360	1,929,380,564
Less		
Cost of land sold, net	(689,047,866)	(575,666,777)
Cost of land transferred to real estate development projects	(79,132,874)	(76,938,653)
Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
	1,190,541,499	1,270,422,013

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

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

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

a.3 Infrastructure costs as at December 31, 2007 include an amount of US$280.55million (US$279.4million as of December 31, 2006) relating to the sea front defense and marina works, an amount of US$146million (US$145million as of December 31, 2006) relating to infrastructure works executed in the traditional BCD area, and an amount of US$107million (US$78million as of December 31, 2006) relating to the cost of land reclamation and treatment. It also includes the cost of an electricity power station in the amount of US$42million (US$42million as of December 31, 2006), and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$40.8million up to December 31, 2007 (US$40.2million up to December 31, 2006). During the year ended December 31, 2007, borrowing costs of US$0.64million were capitalized (US$0.98million for the year ended December 31, 2006).

a.4 Eviction costs represent the costs of relocating previous settlers out of the BCD area which were mainly paid through the Central Fund for the Displaced (a public authority). This caption is stated net of US$22.2million as of December 31, 2007 (US$21.8million as

of December 31, 2006) representing a 10% charge on recuperated properties appraised values collected from original owners other than religious and governmental recuperated properties.

a.5 Capitalized costs represent allocation of direct overheads. Costs capitalized during the year ended December 31, 2007 amounted to US$2.8million (US$3.9million for the year ended December 31, 2006).

An impairment loss of US$7,882,327 was recognized in the income statement during the year 2007 (US$3,036,061 during the year 2006) that represents non-recoverable charges included in the cost of some of these properties relating to the impairment of the value of an asset due to an arbitration with a contractor.

Real estate development projects include the following:

December 31,	**2007** US$	2006 US$
Construction and rehabilitation of buildings	390,244,030	347,067,525
Cost of land	79,521,156	77,326,934
Cumulative costs	469,765,186	424,394,459
Less		
Cost transferred to investment properties, net	(185,286,091)	(174,705,279)
Cost transferred to fixed assets	(26,145,684)	(18,141,961)
Cost of real estate sold	(44,164,255)	(44,164,255)
	214,169,156	187,382,964

The net cost of real estate development projects includes cost incurred in connection with the construction of a shopping mall in the amount of US$106.3million as of December 31, 2007 (US$81.83million as of December 31, 2006).

12. INVESTMENT PROPERTIES, NET

Investment properties are composed of the following:

Balance as at December 31,	2006 US$	Additions US$	Transfers US$	Disposals & Sales US$	**2007** US$
Cost					
Land	42,001,922	-	2,194,225	(2,105,519)	42,090,628
Buildings	122,702,684	300,443	8,386,587	(7,108,236)	124,281,478
Other assets	4,507,171	78,288	-	-	4,585,459
	169,211,777	**378,731**	**10,580,812**	**(9,213,755)**	**170,957,565**
Accumulated Depreciation					
Buildings	15,911,771	2,424,794	-	(692,373)	17,644,192
Other assets	2,648,193	316,140	-	-	2,964,333
	18,559,964	**2,740,934**	**-**	**(692,373)**	20,608,525
Net Book Value	150,651,813				**150,349,040**

Balance as at December 31,	2005 US$	Additions US$	Transfers US$	Disposals & Sales US$	**2006** US$
Cost					
Land	42,265,974	-	(53,135)	(210,917)	42,001,922
Buildings	122,923,983	268,977	53,135	(543,411)	122,702,684
Other assets	4,308,942	198,229	-	-	4,507,171
	169,498,899	**467,206**	**-**	**(754,328)**	**169,211,777**
Accumulated Depreciation					
Buildings	13,539,952	2,430,675	-	(58,856)	15,911,771
Other assets	2,200,962	447,231	-	-	2,648,193
	15,740,914	**2,877,906**	**-**	**(58,856)**	18,559,964
Net Book Value	153,757,985				**150,651,813**

Investment properties include rented and available for rent properties. These represent mainly a property leased out to the Ministry of Foreign Affairs and Emigrants, for use by an international agency. It also includes residential complexes, an embassy complex, and other restored buildings.

During the year ended December 31, 2007, the Group sold property having an aggregate net book value of US$8,521,382 for total proceeds of US$7,697,283 which resulted in a loss of US$824,099 recorded in the income statement (net book value of US$695,472, total proceeds of US$960,446 and gain of US$264,974 for the year ended December 31, 2006).

During the year ended December 31, 2007, the Group transferred US$10,580,812 from real estate development projects to investment properties.

The fair value of the investment properties is estimated by management at around US$320million based on current market prices (US$248million as of December 31, 2006). There has been no valuation of these properties by an independent valuer.

Depreciation for investment properties in the amount of US$2,740,934 for the year 2007 (US$2,877,906 for the year 2006) is recorded under "Charges on rented properties" caption in the income statement (Note 24).

13. INVESTMENT IN AN ASSOCIATE

Details of the Group's associate are as follows:

	Country of Incorporation	Ownership Interest %	Cost US$	Group's Share of Equity US$
Solidere International Limited	UAE	37.62	**219,427,730**	**287,458,659**

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

December 31,2007	US$
Total assets	878,335,751
Total liabilities	(5,672,721)
Less: Minority interest	(108,523,324)
Net assets	**764,139,706**
Group's share of net assets of an associate	**287,458,659**
Initial price of investment	**219,427,730**
Group's share of results of an associate	**68,030,929**
Carrying amount of the investment	**287,458,659**

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

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

In the same year, SIH raised additional funds for SI through a private placement.

As a result of the private placement SI's share capital and share premium amounted to US$700,050,000 out of which SIH settled US$219,427,060 against an ownership percentage of 37.19%.

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

14. FIXED ASSETS, NET

Fixed assets are composed of the following:

Balance as at December 31,	2006 US$	Additions US$	Transfers US$	Disposals & Sales US$	2007 US$
Cost					
Land	5,080,192	-	-	-	5,080,192
Buildings	11,507,802	217,727	-	-	11,725,529
Marina	6,934,100	-	-	-	6,934,100
Furniture and fixtures	2,396,602	151,102	-	-	2,547,704
Freehold improvements	3,332,025	282,433	-	-	3,614,458
Plant	1,853,266	-	-	(1,853,266)	-
Machines and equipment	12,543,972	3,982,325	8,003,723	-	24,530,020
	43,647,959	**4,633,587**	**8,003,723**	**(1,853,266)**	54,432,003
Accumulated Depreciation					
Buildings	1,785,510	208,533	-	-	1,994,043
Marina	374,110	138,682	-	-	512,792
Furniture and fixtures	1,938,764	215,504	-	-	2,154,268
Freehold improvements	2,090,482	312,980	-	-	2,403,462
Plant	1,297,058	185,326	-	(1,482,384)	-
Machines and equipment	10,046,552	1,679,009	-	-	11,725,561
	17,532,476	**2,740,034**	**-**	**(1,482,384)**	18,790,126
Net Book Value	26,115,483				**35,641,877**

Balance as at December 31,	2005 US$	Additions US$	2006 US$
Cost			
Land	5,080,192	-	5,080,192
Buildings	11,237,020	270,782	11,507,802
Marina	6,934,100	-	6,934,100
Furniture and fixtures	2,299,931	96,671	2,396,602
Freehold improvements	2,962,826	369,199	3,332,025
Plant	1,853,266	-	1,853,266
Machines and equipment	10,854,557	1,689,415	12,543,972
	41,221,892	**2,426,067**	**43,647,959**
Accumulated Depreciation			
Buildings	1,569,910	215,600	1,785,510
Marina	235,428	138,682	374,110
Furniture and fixtures	1,739,886	198,878	1,938,764
Freehold improvements	1,793,497	296,985	2,090,482
Plant	1,111,731	185,327	1,297,058
Machines and equipment	8,564,627	1,481,925	10,046,552
	15,015,079	**2,517,397**	17,532,476
Net Book Value	26,206,813		**26,115,483**

During the year ended December 31, 2007 the Group transferred computer equipment and installations (Broad Band Network) amounting to US$8,003,723 from real estate development projects to fixed assets.

The depreciation for the year ended December 31, 2007 was split between an allocation to inventory of land and projects in progress and a charge to the income statement of US$1,245,767 and US$1,494,267, respectively (US$818,291 and US$1,699,106 respectively, for the year ended December 31, 2006).

15. BANK OVERDRAFTS AND SHORT TERM FACILITIES

Bank overdrafts and short term facilities consist of the following:

December 31,	2007 US$	2006 US$
Bank overdrafts	1,290,555	48,362,001
Short term facilities	179,895,936	-
	181,186,491	48,362,001

On August 2, 2007, the Group signed two credit facility agreements with a local bank for US$75million and US$35million. These facilities are subject to an interest rate of one year Libor plus 1.7% and one year Libor plus 1.5% respectively. These facilities mature on August 3, 2008. The covenants of the agreements stipulate that the Group maintain a maximum debt to equity ratio of 1:4 and a minimum equity balance of US$1billion.

On June 22, 2007, the Group signed a US$50million one year credit facility with a local bank. This facility is subject to an interest rate that varies between one month Libor plus 1.75% and three-months Libor plus 1.25%.

On June 18, 2007, the Group signed a US$40million one year credit facility with a local bank. This facility is subject to an interest rate of three-months Libor plus 1.25% but not less than 6%. The covenants of the agreements stipulate that the Group maintain a maximum debt to equity ratio of 1:4 and a minimum equity balance of US$1billion.

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

December 31,	2007 US$	2006 US$
Accounts payable (a)	39,683,157	39,433,181
Accrued charges and other credit balances (b)	18,310,542	14,332,919
Taxes payable (c)	29,850,507	24,311,807
Provision for end-of-service indemnity and other charges (d)	6,890,576	4,463,259
Due to an associate and related party	563,172	-
Deferred tax liability – Note 10	26,028	6,840
Accrued interest payable	4,033,945	775,703
	99,357,927	83,323,709

a. Accounts payable as of December 31, 2007 and 2006 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 31(f).

b. Accrued charges and other credit balances as of December 31, 2007 and 2006 include an amount of US$8.5million representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. The Group recognized a liability against the cash proceeds since the outcome of the subject arbitration is not yet certain Note 31(j).

c. Taxes payable consist of the following:

December 31,	2007 US$	2006 US$
Accrued income tax	25,652,763	21,188,055
VAT Payable	22,232	-
Taxes withheld	1,437,522	962,182
Property tax payable	2,067,931	2,161,570
VAT additional tax assessment	670,059	-
	29,850,507	24,311,807

The accrued income tax for the years 2007 and 2006 was estimated as follows:

	2007 US$	2006 US$
Profit before tax	249,857,943	153,200,020
Less: income/(losses) of subsidiaries	(68,028,316)	(369,257)
Add: Non deductible provisions and charges	4,806,251	3,217,563
Less: Non taxable revenues	(13,954,898)	(13,997,186)
Taxable income	172,680,980	142,051,140
Applicable tax rate	15%	15%
Accrued income tax	25,902,147	21,307,671
Add: Income tax provision subsidiaries	95,904	58,060
Total accrued income tax	25,998,051	21,365,731
Less: Tax on interest previously settled	(345,288)	(177,676)
Accrued income tax payable	**25,652,763**	21,188,055
Total accrued income tax	25,998,051	21,365,731
Less: Deferred tax assets – Note 8(c)	(331,960)	(332,660)
Income tax expense	**25,666,091**	21,033,071

The applicable tax rate in Lebanon is 15% according to the Lebanese tax laws. The tax returns for the years from 2004 till 2007 are still subject to examination and final tax assessment by the tax authorities. Any additional tax liability is subject to the results of this review.

Property tax payable in the amount of US$2.07million as at December 31, 2007 is included under the caption “Charges on rented properties” in the income statement (US$2.16million as at December 31, 2006). The Group has provided for additional tax related to previous years in the amount of US$1,319,859 during the year ended December 31, 2006.

During 2007, the Group’s VAT declarations were subject to review and final assessment by the tax authorities. As a result of this review an additional tax liability in the amount of US$670,059 was accrued for and charged to the income statement under “Other taxes”.

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

	2007 US$	2006 US$
Balance at the beginning of the year	4,463,259	3,658,217
Additions	2,876,491	837,921
Settlements	(449,174)	(32,879)
Balance at the end of the year	**6,890,576**	4,463,259

17. DIVIDENDS PAYABLE

The breakdown of dividends payable is summarized as follows:

General Assembly Date	Dividend per Share US$	Declared US$	Settled up to Dec 31, **2007** US$	Dec 31, **2007** Payable US$	Dec 31, 2006 Payable US$
June 29, 1996	0.20	30,918,413	29,101,605	1,816,808	1,920,969
June 30, 1997	0.25	40,367,172	37,190,157	3,177,015	3,334,353
June 29, 1998	0.25	39,351,753	35,558,350	3,793,403	4,113,745
June 23, 2003	Stock dividend	-	-	27,485	27,485
June 12, 2006	0.6	94,831,106	84,027,957	10,803,149	21,481,160
June 22, 2007	1	155,093,702	128,498,765	26,594,937	-
				46,212,797	30,877,712

The General Assembly of Shareholders in their meeting held on June 12, 2006 decided to distribute dividends at an average of 60 US cents for every share. Accordingly dividends payable in the amount of US$90.09million were recorded after deducting dividends distribution tax in the amount of US$4.74million. An amount of approximately US$84million was settled up to December 31, 2007 (US$73million up to December 31, 2006).

In addition, the General Assembly held on June 22, 2007 resolved to distribute dividends on the basis of US$1 per share. Accordingly, the Group recorded dividends payable in the amount of US$147.3million net of distribution tax in the amount of US$7.75million. An amount of approximately US$128million was settled up to December 31, 2007.

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

18. DEFERRED REVENUES AND OTHER CREDIT BALANCES

Deferred revenues and other credit balances consist of the following:

December 31,	2007 US$	2006 US$
Cash down payments and commitments on sale contracts	222,328,962	154,763,757
Deferred rental revenue and related deposits	10,818,490	13,542,036
	233,147,452	168,305,793

Cash down payments and commitments on sale contracts include balances aggregating to approximately US$211million that relate to 13 sale contracts with an aggregate potential gross sales value of US$826.5million as of December 31, 2007 (US$143.5million relating to 15 sale contracts with an aggregate potential gross sale value of US$1,034million as of December 31, 2006).

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

19. DEFERRED CREDITS UNDER STRUCTURED CONTRACTS

Deferred credits under structured contracts represent contracts executed with banks and involving put and call options on treasury shares which are classified as interest bearing liabilities.

a. The Group sold on September 7, 2007 to a local bank, 4,360,000 shares (2,585,000 “A” shares and 1,775,000 “B” shares) from treasury shares with a sale back option to the bank and a buy back option to the Group for a total consideration of US$74,992,000 at US$17.2 per share. The sale back and buy back option can be exercised at a strike price of US$18.39 per share in the period starting on March 10, 2008 and ending on September 10, 2008. The settlement is to be paid at the latest on September 10, 2008, subject to certain conditions specified in the contract. The strike price represents the selling price plus accumulated interest.

b. The Group sold on September 7, 2007 to a local bank, 5,540,000 shares (3,290,000 “A” shares and 2,250,000 “B” shares) from treasury shares with a sale back option to the bank and a buy back option to the Group for a total consideration of US$95,288,000 at US$17.2 per share. The sale back and buy back option can be exercised at a strike price of US$18.39 per share in the period starting on March 10, 2008 and ending on September 10, 2008. The settlement is to be paid at the latest on September 10, 2008, subject to certain conditions specified in the sale contract. The strike price represents the selling price plus accumulated interest.

Interest in the amount of US$3,605,115 has been accrued on the above deferred credits under structured contracts up to December 31, 2007 and recorded under “Accounts payable and other liabilities” in the balance sheet.

20. LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

December 31,	2007 US$	2006 US$
"COFACE" guaranteed loan	-	15,327,428
Local bank loan	3,000,000	5,000,000
Loan guaranteed by Export - Import Bank of the United States	4,041,163	6,735,272
	7,041,163	27,062,700

Maturities of the loans from banks and financial institutions are as follows:

December 31,	2007 US$	2006 US$
2007	-	20,021,537
2008	4,694,109	4,694,109
2009	2,347,054	2,347,054
	7,041,163	27,062,700

"COFACE" Guaranteed Loan
For the purpose of partially financing the sea front defense works, the Group signed in 1996 a 10 year "COFACE" guaranteed loan agreement for an amount of US$107.3million of which US$7.3million represents a guarantee premium. This loan, which was fully drawn, was scheduled for settlement starting February 2001 through 14 semi annual payments in the amount of US$7.66million each. The loan was subject to an interest rate of 7.39% per annum, payable semi annually starting August 1998. The Group settled the loan in full as at December 31, 2007 (US$91.98million were settled up to December 31, 2006).

Local Bank Loan
In July 2001, a complementary loan agreement in the amount of US$10million was signed with a resident foreign bank. The total amount of the loan was withdrawn up to December 31, 2004. This loan shall be paid in 10 equal semi-annual installments starting October 25, 2004 and ending April 27, 2009. An installment of US$2million was made during 2007 in addition to settlements aggregating to US$5million from 2004 till 2006 and thus the balance of the loan decreased to US$3million as of December 31, 2007. The loan is subject to an annual interest rate of 3 months Libor plus 1%. The Company shall maintain a pledged fund of not less than 102% of all outstanding principal and interest amounts, and should maintain a debt to equity ratio not exceeding 25% and total tangible net assets should not be less than US$1billion free from any liens including permitted liens.

Loan Guaranteed by Export - Import Bank of the United States
In July 2001, the Group signed an "Export Financing Credit Agreement" for the amount of US$14.71million to support the purchase of engineering and construction services and equipment from the United States for the waste treatment project. This loan is guaranteed by the Export-Import Bank of the United States and is financed by a resident foreign bank. An amount of US$13.47million had been drawn up to December 31, 2004. Subsequent to that date, the Group made no withdrawals. This loan shall be paid by 10 equal successive semi-annual installments, the first of which shall be due and payable on October 25, 2004. An installment of US$2.7million was made during 2007 in addition to installments amounting to US$6.75million from 2004 till 2006 and thus the balance of the loan decreased to US$4.04million as at December 31, 2007. This loan is subject to an interest rate of 0.25% per annum above Libor. According to the contract terms, an irrevocable stand-by letter of credit in the amount of US$3.57million was submitted to the Export - Import Bank of the United States. Moreover, the Group is required to maintain a minimum balance of cash and cash equivalents of US$30million and the treasury shares should not exceed 10,131,829 shares or the equivalent of US$76million in aggregate value. In this respect, the number of treasury shares amounted to 9,906,298 shares with an aggregate value of US$168,491,485 as at December 31, 2007 (9,533,318 shares with an aggregate value of US$162,663,803 as at December 31, 2006).

21. CAPITAL

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

- Class "A", amounting to 100,000,000 shares represented contribution in kind of properties in the BCD, based on the resolutions of the High Appraisal Committee. All Class A shares were deemed to have been issued and outstanding since the establishment of the 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.

As of December 31, 2007, the Company had 14,476,898 "A" shares listed on the London Stock Exchange in the form of Global Depository Receipts (GDR) (12,926,898 "A" shares as of December 31, 2006).

22. LEGAL RESERVE

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

23. TREASURY SHARES

This caption includes 9,906,298 shares class (A) and (B) as of December 31, 2007 (9,533,318 shares as of December 31, 2006), of which 9,900,000 shares are subject to specific structured contracts (Note 19).

The treasury shares outstanding as of December 31, 2007 and December 31, 2006 are stated at the weighted average cost.

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

As of December 31, 2007, this caption includes 3,685,000 shares that were acquired from sale of properties (3,685,000 shares as of December 31, 2006).

24. CHARGES ON RENTED PROPERTIES

Charges on rented properties includes the following:

December 31,	2007 US$	2006 US$
Depreciation expense (Note 12)	2,740,934	2,877,906
Property taxes	2,262,480	2,165,750
Maintenance and other related expenses, net	2,066,882	1,413,927
	7,070,296	6,457,583

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is composed of the following:

December 31,	2007 US$	2006 US$
Salaries, benefits and related charges	12,787,089	9,408,373
Board of directors' remuneration	144,000	144,000
Administrative expenses	5,155,634	4,752,427
	18,086,723	14,304,800

The Group reallocated salaries, benefits and related charges and administrative expenses amounting to US$2.8million to construction cost during the year ended December 31, 2007 (US$3.9million during the year ended December 31, 2006).

26. OTHER EXPENSE, NET

Other expense consists of the following:

December 31,	2007 US$	2006 US$
Business development and services expenses	4,319,285	-
Business development and services expenses recovered	(2,262,480)	-
Gain on exchange	(143,221)	-
Other income	(59,295)	-
	1,854,289	-

Business development and services expenses represent total costs incurred on projects outside Lebanon transferred to Solidere International Limited borne by the Company. An amount of US$2.26million was charged to Solidere International Limited.

27. INTEREST INCOME

Interest income is comprised of the following:

December 31,	2007 US$	2006 US$
Interest income from notes and accounts receivable	31,612,508	22,355,270
Interest income from banks	8,539,017	4,856,417
	40,151,525	27,211,687

28. BASIC/DILUTED EARNINGS PER SHARE

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

The weighted average number of shares to compute basic and diluted earnings per share is 155,147,918 shares for the year 2007 (157,817,134 shares for the year 2006).

29. NOTES TO THE CASH FLOW STATEMENT

a. Non-cash transactions in the operating and investing activities related to the proceeds from recuperated properties are detailed as follows:

December 31,	2007 US$	2006 US$
Non-cash transfer of shares against recuperated properties	(153,640)	(52,701)
Decrease in receivables from recuperated properties	(63,368)	(360,299)
	(217,008)	(413,000)

b. Depreciation was applied as follows:

December 31,	2007 US$	2006 US$
Depreciation of fixed assets - Note 14	2,740,034	2,517,397
Depreciation of investment properties - Note 12	2,740,934	2,877,906
Less: Depreciation allocated to inventory of land and projects in progress – Note 11	(1,140,093)	(818,291)
Depreciation charge for the year	**4,340,875**	4,577,012

c. Interest expense consists of the following:

December 31,	2007 US$	2006 US$
Interest charged as period cost	15,885,954	7,173,307
Interest expense allocated to inventory of land and projects in progress – Note 11	638,613	980,207
Total interest expense	**16,524,567**	8,153,514

d. Non-cash transactions in operating and investing activities include transfers from inventory of land and projects in progress to investment properties in the amount of US$10,580,812 for the year ended December 31, 2007.

e. Non-cash transactions in operating and investing activities include transfers from inventory of land and projects in progress to fixed assets in the amount of US$8,003,723 for the year ended December 31, 2007.

f. Non-cash transactions in investing activities include the effect of change in fair value of available-for-sale securities in the amount of US$173,520 offset against "Cumulative change in fair value of available-for-sale securities" and "Accounts payable and other liabilities" in the amount of US$147,492 and US$26,028, respectively, for the year ended December 31, 2007 (US$45,600 offset against "Cumulative change in fair value of available-for-sale securities" and "Accounts payable and other liabilities" in the amount of US$38,760 and US$6,840, respectively for the year ended December 31, 2006).

g. Cash and cash equivalents comprise of the following:

December 31,	2007 US$	2006 US$
Cash	85,026	98,749
Current accounts	11,064,074	19,515,034
Short term deposits	309,513,061	60,968,438
Bank overdrafts	(181,186,491)	(48,362,001)
	139,475,670	32,220,220

30. RELATED PARTY TRANSACTIONS

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

Cash and bank balances include US$4,647,108 as of December 31, 2007 (US$2,025,167 as of December 31, 2006) representing current bank accounts with a local bank who is a significant but minority shareholder of the Group.

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

General and administrative expenses include legal fees in the amount of US$120,000 for the year ended December 31, 2007 related to one of the firm's legal counselors who is also a member in the Company's board of directors (US$120,000 for the year ended December 31, 2006).

The Group incurred various expenses on behalf of its related parties whose total balances due amounted to US$3,808,163 as of December 31, 2007.

Aswaq Management and Services LLC provided consultancy services to Beirut Real Estate Management and Services s.a.l. (BREMS) for the amount of US$27,344 for the year ended December 31, 2007 (US$79,076 for the year ended December 31, 2006)

During 2007, the Group charged Solidere International Limited, an associate, administrative expenses amounting to US$2,262,480, in addition to an amount of US$322,470 representing payments on its behalf.

Total benefits paid to executives and members of the Board of Directors (including salary, bonus and others), included within "General and administrative expenses", for the year ended December 31, 2007 amounted to US$2,865,545 (US$1,969,922 for the year ended December 31, 2006).

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

31. COMMITMENTS AND CONTINGENCIES

a. An agreement between the Company and the Council for Development and Reconstruction ("CDR") was promulgated through Decree No. 5665 dated September 21, 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Company was granted 291,800m^2 of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Company of the sea landfill and infrastructure works.

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

c. Commitments for contracted works not executed as of December 31, 2007 amounted to approximately US$88.5million (US$118.3million as of December 31, 2006).

d. A lawsuit was raised in 1999 against the Company by the "CDR" claiming reimbursement of an amount of LL5.4billion (US$3.6million) plus interest. This balance represents payments previously made by the "CDR" in connection with the appraisal of the properties in the BCD area and other tender documents. No provision was set up against this claim since, on the basis of the advice received from the Company's legal advisor, the directors are of the opinion that this claim is not based on sound legal grounds.

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

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

f. On June 7, 1997, the Company signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Company acquired additional built up area of approximately 58,000m^2 and 556,340 Class A shares in exchange for approximately 15,000m^2 and the payment of US$38.7million to restore governmental buildings. US$25million has already been paid and accounted for and the balance of US$13.8million continues to be included under accounts payable. According to the terms of the agreement, the Company undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings belonging to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined and has not been reflected in the accompanying financial statements.

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

h. The Company has as a stand-by letter of credit in the amount of US$3,566,993 to be gradually decreased starting June 2007 to reach US$3,035,622 in June 2011. This instrument is issued in guarantee of the US$14.7million US Export Import Bank of the United States facility amounting to US$4.04million as of December 31, 2007 (US$6.74million as of December 31, 2006). Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral (Note 7).

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

j. During 2003, the Company entered into a dispute with one of its contractors regarding what the Company considered to be a defect in the land remediation works performed by the contractor. The contractor denied this issue and commenced an arbitration in relation to this matter on May 19, 2003. In the request for arbitration, the contractor sought a non-monetary relief that there is no defect in the works performed, and made monetary claims against the Company in the total amount of US$1,079,533, in addition to claiming for the payment of its legal and other costs incurred in connection with the arbitration for an amount of US$2,226,569. The Company made counter claims for non-monetary relief that there exists a defect in the works performed by the contractor and claimed for the payment of its legal and other costs incurred in connection with the arbitration for an amount of US$3,004,711. In 2004, the Company collected the performance bond amounting to US$8.5million. On July 12, 2004, the International Court of Arbitration ruled that the contractor pay the Company the sum of US$2,188,000 in respect of the Company's cost of arbitration, and additional costs incurred in the amount of US$170,000, in addition to the execution of remedial works at the contractor's own cost. As a result, the Company recorded a receivable in the amount of US$2,358,000 in the accompanying financial statements which remains uncollected - Note 8(e).

On June 21, 2004, the contractor requested arbitration in a second case against the Company to confirm the right to extend the project's execution period and increase the cost of works. The total claims by the contractor in this arbitration amounted to US$32million representing the increase in the cost of works, other unpaid amounts and amounts the contractor alleged to have been illegally withdrawn by the Company from the performance bond mentioned above.

During 2005 and early 2006, both the Company and the contractor filed counter arbitrations against each other that are still pending as at December 31, 2007. These arbitrations are currently in a jurisdictional phase. On January 30, 2008, the parties exchanged post-hearing written pleadings summarizing their respective positions. A jurisdictional award is expected to be issued by the Arbitral Tribunal during the second quarter of 2008.

No provision was set up against these claims as the legal counsel representing the Company in the arbitration is of the opinion that the Company has strong defenses against all allegations made by the contractor.

32. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2007 and December 31, 2006.

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

The Group monitors capital on the basis of the debt-to-capital ratio (gearing ratio). The gearing ratio as at December 31, 2007 and 2006 was as follows:

December 31,	2007 US$	2006 US$
Total consolidated liabilities	737,225,830	357,931,915
Less: Cash and bank balances	(327,847,633)	(106,202,604)
Total debt	409,378,197	251,729,311
Total equity	1,832,028,785	1,768,649,582
Gearing ratio	**22%**	14%

33. RISK MANAGEMENT

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

a. Interest Rate Risk

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

	Increase/decrease in basis points	Effect on profit before tax USD
2007		
US Dollars	+20	596,105
US Dollars	-15	447,079
2006		
US Dollars	+20	728,465
US Dollars	-15	546,348

b. Foreign Currency Risk

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

c. Credit Risk

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

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

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

The Group's credit risk exposure is spread over 107 counter-parties; 6 customers constitute 48% of the total exposure and 101 customers constitute the remaining 52%. The maximum exposure is the carrying amount as disclosed in Note 8.

The Group's assets and liabilities are segregated by geographical area as follows:

December 31, **2007**	**Lebanon** USD	**Middle East** USD	**Europe** USD	**Total** USD
Total assets	2,267,994,768	290,043,609	11,216,235	2,569,254,612
Total liabilities	737,225,830	-	-	737,225,830
Net assets	**1,530,768,938**	**290,043,609**	**11,216,235**	**1,832,028,782**

December 31, **2006**	**Lebanon** USD	**Middle East** USD	**Europe** USD	**Total** USD
Total assets	2,116,501,491	-	10,080,006	2,126,581,497
Total liabilities	342,604,487	-	15,327,428	357,931,915
Net assets	**1,773,897,004**	**-**	**(5,247,422)**	**1,768,649,582**

d. Liquidity Risk

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

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

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

December 31, **2007**	On Demand USD	Less than 3 Months USD	3-12 Months USD	1 to 5 Years USD	Total USD
Bank overdrafts	1,290,555	3,241,841	183,724,799	-	188,257,195
Accounts payable and other liabilities	95,323,982	-	-	-	95,323,982
Dividends payable	46,212,797	-	-	-	46,212,797
Deferred revenues and other credit balances	233,147,452	-	-	-	233,147,452
Deferred credits under structured contracts	-	-	182,061,000	-	182,061,000
Loans from banks and financial institutions	-	51,367	5,016,748	2,421,446	7,489,561
	375,974,786	**3,293,208**	**370,802,547**	**2,421,446**	**752,491,987**

December 31, **2006**	On Demand USD	Less than 3 Months USD	3-12 Months USD	1 to 5 Years USD	Total USD
Bank overdrafts	48,362,001	-	-	-	48,362,001
Accounts payable and other liabilities	82,548,006	-	-	-	82,548,006
Dividends payable	30,877,712	-	-	-	30,877,712
Deferred revenues and other credit balances	168,305,793	-	-	-	168,305,793
Loans from banks and financial institutions	-	8,320,984	13,217,424	7,489,561	29,027,969
	330,093,512	**8,320,984**	**13,217,424**	**7,489,561**	**359,121,481**

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

35. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements for the year ended December 31, 2007, on February 4, 2008.