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INDEPENDENT AUDITORS' REPORT

To the shareholders
The Lebanese Company for the Development
and Reconstruction of Beirut Central District sal
Beirut - Lebanon

We have audited the accompanying consolidated financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District sal and its Subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2008, 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 sal and its Subsidiaries (the Group) as of December 31, 2008, 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 18, 2009

Deloitte & Touche

Ernst & Young

CONSOLIDATED BALANCE SHEET

DECEMBER 31,	NOTES	2008 US$	2007 US$
Assets			
Cash and banks balances	07	291,703,019	327,847,633
Prepayments and other debit balances	08	34,803,021	34,449,004
Accounts and notes receivables, net	09	296,401,913	318,734,724
Investments in securities	10	5,901,300	10,063,020
Inventory of land and projects in progress	11	1,274,486,606	1,404,710,655
Investment properties, net	12	216,787,077	150,349,040
Investment in an associate	13	296,444,933	287,458,659
Fixed assets, net	14	37,304,608	35,641,877
Total Assets		**2,453,832,477**	**2,569,254,612**
Liabilities			
Bank overdrafts and short term facilities	15	176,996,835	181,186,491
Accounts payable and other liabilities	16	95,310,680	99,357,927
Dividends payable	17	62,989,562	46,212,797
Deferred revenue and other credit balances	18	256,523,727	233,147,452
Deferred credits under structured contracts	19	-	170,280,000
Loans from banks and financial institutions	20	2,347,054	7,041,163
Total Liabilities		594,167,858	737,225,830
Shareholders' Equity			
Issued capital at par value US$10 per share:	21		
100,000,000 clase (A) shares		1,000,000,000	1,000,000,000
65,000,000 clase (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	22	94,067,105	75,543,036
Retained earnings		272,280,032	263,175,988
Cumulative changes in fair value of available for sale securities	10	185,130	147,492
Surplus on sales of treasury shares		11,653,751	11,653,751
Less: Treasury shares	23	(168,521,399)	(168,491,485)
Total Equity		1,859,664,619	1,832,028,782
Total Liabilities and Shareholders' Equity		**2,453,832,477**	**2,569,254,612**

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

CONSOLIDATED INCOME STATEMENT

DECEMBER 31,	NOTES	2008 US$	2007 US$
Revenues from land and real estate sales		256,635,633	288,467,975
Revenues from rented properties		21,670,899	20,775,368
Revenues from rendered services	24	7,426,645	2,953,325
Cost of land and real estate sales		(62,422,633)	(114,089,596)
Charges on rented properties	25	(8,345,604)	(7,070,296)
Cost of rendered services	26	(6,712,741)	(4,405,412)
Loss on sale of investment properties		(2,108,123)	(824,099)
Net revenues from operations		206,144,076	185,807,265
Share result from an associate		(1,798,576)	68,030,929
General and administrative expenses	27	(19,351,682)	(18,086,723)
Depreciation of fixed assets	14	(4,512,679)	(1,494,267)
Write-back of provision/(provision) against land and real estate development cost	11	9,604,171	(7,882,327)
Write-off of land and real estate development cost	11	(8,036,672)	-
Other taxes	16	(3,739,823)	(670,059)
Provision for doubtful receivables	09	-	(314,962)
Other income	28	832,032	202,516
Interest income	29	55,496,110	40,151,525
Interest expense		(20,309,559)	(15,885,954)
Profit before tax		214,327,398	249,857,943
Income tax expense	16	(31,608,453)	(25,666,091)
Profit for the year		**182,718,945**	**224,191,852**
Basic/diluted earnings per share	30	**1.1781**	**1.4450**

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

CONSOLIDATED CASH FLOW STATEMENT

DECEMBER 31,	NOTES	2008 US$	2007 US$
Cash flows from operating activities			
Profit for the year before income tax		214,331,284	249,857,943
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	31	7,788,218	4,340,875
Loss on sale of investment properties	12	2,108,123	824,099
Gain on sale of securities		(645,911)	-
(Gain)/loss on sale of fixed assets		(14,651)	120,882
Provision for doubtful receivables	09	-	314,962
Provision for contingencies and other charges	16(d)	1,499,712	2,876,491
Share result from an associate	13	1,798,576	(68,030,929)
Interest income	29	(54,522,764)	(40,151,525)
Interest expense	31	20,506,797	16,524,567
Changes in working capital			
Prepayments and other debit balances	08(b)	14,820,105	3,234,418
Accounts and notes receivable	31	21,292,223	29,829,496
Inventory of land and projects in progress	31	46,691,451	35,649,881
Accounts payable and other liabilities	31	(17,925,716)	(3,160,065)
Deferred revenues and other credit balances	08(b)	23,376,275	64,841,659
Interest received		45,018,642	30,721,497
Income tax paid		(33,403,422)	(21,156,116)
Net cash provided by operating activities		292,718,942	306,638,135
Cash flows from investing activities			
Pledged term deposits with banks		2,105,602	18,434,911
Investment securities	31	-	(1,324,427)
Receivable from recuperated properties	31	1,068,588	217,008
Acquisition of fixed assets	14&31	(2,617,276)	(4,633,587)
Acquisition of investment properties	12	(340,604)	(378,731)
Proceeds from sale of fixed assets		53,100	250,001
Proceeds from sale of investment properties	12	8,454,923	7,697,283
Proceeds from sale of securities		4,851,911	-
Investment in an associate	13	(10,784,850)	(219,427,730)
Net cash provided by/(used in) investing activities		2,791,394	(199,165,272)
Cash flows from financing activities			
Bank loans (settlement)		(4,694,109)	(20,021,537)
Dividends paid	17	(130,559,521)	(132,003,932)
Deferred credits under structured contracts	19	(170,280,000)	170,280,000
Treasury shares		(57,914)	(5,981,322)
Interest paid		(19,768,148)	(12,490,622)
Net cash used in financing activities		(325,359,692)	(217,413)
Net change in cash and cash equivalents		(29,849,356)	107,255,450
Cash and cash equivalents - Beginning of the year		139,475,670	32,220,220
Cash and cash equivalents - End of the year	31	**109,626,314**	**139,475,670**

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 Available-for-sale Securities US$	Surplus on Sale of Treasury Shares US$	Total US$
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
Profit for the year - 2008	-	-	-	182,718,945	-	-	182,718,945
Change in fair value of available-for-sale securities	-	-	-	-	37,638	-	37,638
Total result of the year	-	-	-	182,718,945	37,638	-	182,756,583
Allocation to legal reserve from 2008 profit	-	18,524,069	-	(18,524,069)	-	-	-
Treasury shares trade	-	-	(29,914)	-	-	-	(29,914)
Dividends – Note 17	-	-	-	(155,090,832)	-	-	(155,090,832)
Balance at December 31, 2008	1,650,000,000	94,067,105	(168,521,399)	272,280,032	185,130	11,653,751	1,859,664,619

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2008

01 FORMATION AND OBJECTIVE OF THE COMPANY

The Lebanese Company for the Development and Reconstruction of Beirut Central District sal (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.

02 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except as follows:

(a) There are no interpretations effective in 2008 and relevant to the Group

(b) No Standards and amendments were early adopted by the Group as of 1 January 2008

(c) Interpretations effective in 2008 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

› IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
› IFRIC 12 – Service concession arrangements; and
› IFRIC 13 – Customer loyalty programmes.

(d) Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

› IFRS 8, 'Operating segments' (effective from 1 January 2009)
The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

› IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009)
The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

› IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).
The revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. It is not expected to have any impact on the Group's financial statements.

› IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
The Group will apply the IAS 32 and IAS 1(amendment) from 1 January 2009. It is not expected to have any impact on the Group's financial statements.

› IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).
The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

› IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment. The Group will apply the IAS 28 (amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.

› IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

› IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (amendment) from 1 January 2009. No write-off of prepayments to retained earnings is expected.

› IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009)
The group will apply the IAS 19 (amendment) from 1 January 2009.

› IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
The Group will apply the IAS 39 (amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

› IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Group's operations, as there are no investment properties held by the Group.

› IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).
The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. The Group will apply the IFRIC 15 (amendment) prospectively from 1 January 2009.

03 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The consolidated financial statements incorporate the financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District sal 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 sal (Joint Venture) (Proportionate consolidation)	50	April 2004
Beirut Real Estate Management and Services sal (Joint Venture), (Proportionate consolidation)	45	September 2005
Solidere Management Services sal	100	June 2006
Solidere Management Services (Offshore) sal	100	March 2007
Solidere International Holding sal	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 consolidated financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Group and which are subject to market conditions and other factors commonly associated with development projects; as such, the 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	14%-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, 2008 and 2007. 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
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.

04 CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

In the application of the accounting policies described in Note 03 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$29,581,896 and US$292,850,322 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.

Impairment of Available For-Sale Equity Investments
The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination requires judgment. In making this judgment the Group evaluates among other factors, the normal volatility in share price. In addition, the Group considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

05 INTEREST IN JOINT VENTURES

The Group has interest in joint ventures as follows:

(a) The Group entered into a joint venture agreement on February 11, 2004, with Stow Waterfront sal (Holding) to establish Beirut Waterfront Development sal 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 sal, 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 sal

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities at December 31, 2008 and 2007, included in the consolidated financial statements, are as follows:

DECEMBER 31,	2008 US$	2007 US$
Assets		
Cash and bank balances	8,682,897	11,435,184
Prepayments and other debit balances	66,098	257,593
Inventory of land and projects in progress	14,046,207	10,850,050
Fixed assets, net	129,140	70,503
	22,924,342	**22,613,330**
Liabilities:		
Accounts payable and other liabilities	6,541,328	3,980,398
	6,541,328	**3,980,398**

Income and Expenses

	2008 US$	2007 US$
Revenues from consulting services	231,260	482,544
General and administrative expenses	(383,867)	(275,492)
Depreciation	(16,399)	(14,468)
Interest income	279,209	656,582
Interest expense	(19,875)	(429,668)
Income for the year before income tax	90,328	419,498
Income tax	(35,737)	(60,382)
Income for the year	**54,591**	**359,116**

06 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.

2008	Lebanon US$	Middle East US$	Total US$
Revenues	285,733,177	-	285,733,177
Profit for the year	184,517,521	(1,798,576)	182,718,945
Total assets	2,157,387,544	296,444,933	2,453,832,477
Total liabilities	594,167,858	-	594,167,858

2007	Lebanon US$	Middle East US$	Total US$
Revenues	312,196,668	-	312,196,668
Profit for the year	156,160,923	68,030,930	224,191,853
Total assets	2,281,795,953	287,458,659	2,569,254,612
Total liabilities	737,225,830	-	737,225,830

07 CASH AND BANK BALANCES

DECEMBER 31,	2008 US$	2007 US$
Cash on hand	88,252	85,026
Current accounts	7,921,544	11,064,074
Short term deposits	278,613,353	309,513,061
	286,623,149	320,662,161
Pledged term deposits	5,079,870	7,185,472
	291,703,019	**327,847,633**

Short term deposits mature between January and April 2009 (December 31, 2007: Short term deposits mature in January 2008). The average yield on the term deposits as of December 31, 2008 was approximately 4.6% (5.5% for the year ended December 31, 2007).

Pledged term deposits include deposits of US$5million as of December 31, 2008 (US$7million as of December 31, 2007) pledged against a stand-by letter of credit to the extent of about US$3.35million (US$3.5million as of December 31, 2007) and against a local bank's loan to the extent of US$3million (US$3million as of December 31, 2007) as explained under Note 20 and Note 33(h).

08 PREPAYMENTS AND OTHER DEBIT BALANCES

DECEMBER 31,	2008 US$	2007 US$
Advance payments to contractors (a)	5,113,251	8,880,279
Advances to employees	2,485,084	2,006,704
Accrued interest income (b)	9,504,122	9,430,026
Prepaid expenses	2,365,089	2,278,275
Deferred tax assets (c)	2,455,798	2,277,120
Due from related parties (d)	5,864,520	3,808,163
Other debit balances (e)	7,015,157	5,768,437
	34,803,021	**34,449,004**

(a) Advance payments to contractors include an amount of US$3,407,026 as of December 31, 2008 (US$7,030,531 as of December 31, 2007) relating to a contractor involved in the execution of the "Aswaq Beirut" project.

(b) Accrued interest income consists of the following:

DECEMBER 31,	2008 US$	2007 US$
Interest on bank deposits	1,502,022	1,993,894
Interest on notes and accounts receivables	8,002,100	7,436,132
	9,504,122	**9,430,026**

(c) Deferred tax assets caption consists of the following:

DECEMBER 31,	2008 US$	2007 US$
Deferred tax assets on unrealized profits from sales to a joint venture – Note 05 (a)	1,612,500	1,612,500
Deferred tax assets on cost of land sold – Note 16 (c)	843,298	664,620
	2,455,798	**2,277,120**

(d) Due from related parties caption consists of the following:

DECEMBER 31,	2008 US$	2007 US$
Solidere International Limited	5,857,770	3,801,413
Brems International sal (Offshore)	6,750	6,750
	5,864,520	**3,808,163**

The above balances are interest free.

(e) Other debit balances as at December 31, 2007, include an amount of US$2,358,000 which was offset against cost of inventory of land and projects in progress in the balance sheet. The above amount represented a claim receivable in connection with an arbitration in a dispute with one of the Company's contractors, which was resolved during 2008 as explained under Note 33 (j).

09 ACCOUNTS AND NOTES RECEIVABLE, NET

DECEMBER 31,	2008 US$	2007 US$
Notes receivable	292,850,322	289,075,956
Accounts receivable	29,581,896	68,961,930
Receivables from tenants	6,919,018	6,539,940
Interest receivable on discounted notes	-	801,730
Less: Unearned interest	(32,498,003)	(46,193,512)
Less: Provision for problematic receivables	(451,320)	(451,320)
	296,401,913	**318,734,724**

The Group's credit risk exposure is spread over 93 counter-parties; 6 customers constitute 70% of the total exposure and 87 customers constitute the remaining 30% as of December 31, 2008 (as of December 31, 2007, 118 counter-parties; 6 customers constitute 54% of the total exposure and 102 customers constitute the remaining 46%).

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

DECEMBER 31,	2008 US$	2007 US$
Doubtful balances	470,605	470,605
Overdue	5,155,255	66,860,055
2008	-	95,993,211
2009	121,950,534	61,247,873
2010	65,793,795	36,640,650
2011	48,386,473	27,863,562
2012	28,392,499	-
2013 and above	22,701,161	-
	292,850,322	**289,075,956**

As at December 31, the aging analysis of notes receivable is as follows:

DECEMBER 31,	2008 US$	2007 US$
Doubtful balances	470,605	470,605
Past due but not impaired:		
<30 days	-	1,209,669
30-60 days	-	1,584,752
>120 days	5,155,255	64,065,634
	5,155,255	66,860,055
Neither past due nor impaired	287,224,462	221,745,296
	292,850,322	**289,075,956**

The average yield on accounts and notes receivable is mainly dependant on the Libor rate and was 7% as of December 31, 2008 (5.87% as of December 31, 2007).

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

	2008 US$	2007 US$
Balance at the beginning of the year	451,320	351,320
Additions	-	314,962
Write-offs	-	(214,962)
Balance at the end of the year	**451,320**	**451,320**

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

10 INVESTMENT SECURITIES

During prior years, 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 7.71% in 2008 (6.12% during the year 2007).

The details of the above investments are as follows:

DECEMBER 31				2008				2007		
	Maturity Date	Conditional Coupon Rate %	Interest on Leverage	Book Value US$	Leverage with right of set-off US$	Net Value US$	Fair Value US$	Book Value US$	Leverage with right of set-off US$	Net Value US$
Held-to-Maturity										
USD Spread Callable Range Accrual Note	23/2/2014	6.10	3ML + 0.75%	-	-	-	-	5,000,000	1,450,000	3,550,000
4 year CPU MULTIPLUS on Asian Indices	26/3/2008	6.00	1YL + 0.75%	-	-	-	-	2,000,000	2,194,000	(194,000)
10-year USD "Momentum" Callable Range Accrual Note	16/03/2015	6.5	3ML + 0.5%	2,995,500	-	2,995,500	2,928,000	2,995,500	1,400,000	1,595,500
				2,995,500	-	2,995,500	2,928,000	9,995,500	5,044,000	4,951,500
Available-for-sale										
7-year Non-Call 3 months Knock-out Callable Range Note 1	29/3/2012	5.60	3ML + 0.5%	-	-	-	-	3,000,000	750,000	2,250,000
7-year USD Callable Range Accrual Puttable Note 1	25/04/2016	6.20	3ML + 0.5%	2,688,000	-	2,688,000	2,905,000	2,688,000	-	2,688,000
				2,688,000	-	2,688,000	2,905,000	5,688,000	750,000	4,938,000
Total investments in securities at net book value				**5,683,500**	**-**	5,683,500	**5,833,000**	**15,683,500**	**5,794,000**	9,889,500
Add: Change in fair value of available-for -sale securities						217,800				173,520
Investment securities						**5,901,300**				**10,063,020**

1 The Group 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$32,670 as of December 31, 2008 (net of deferred tax liability in the amount of US$26,028 as of December 31, 2007).

11 INVENTORY OF LAND AND PROJECTS IN PROGRESS

DECEMBER 31,	2008 US$	2007 US$
Land and land development works, net (a)	1,101,672,564	1,190,541,499
Real estate development projects, net (b)	172,814,042	214,169,156
	1,274,486,606	**1,404,710,655**

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

DECEMBER 31,	2008 US$	2007 US$
Acquired properties (a.1)	959,044,344	959,007,209
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	662,520,215	672,458,067
Eviction costs (a.4)	259,749,466	259,741,166
Capitalized costs (a.5)	63,276,868	64,456,116
Cumulative costs	1,954,003,695	1,965,075,360
Less: Cost of land sold, net	(750,075,601)	(689,047,866)
Less: Cost of land transferred to real estate development projects	(95,902,409)	(79,132,874)
Less: Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
	1,101,672,564	**1,190,541,499**

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$255 million 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, 2008 include an amount of US$280.59million (US$280.55million as of December 31, 2007) relating to the sea front defense and marina works, an amount of US$147.30million (US$146million as of December 31, 2007) relating to infrastructure works executed in the traditional BCD area, and an amount of US$83million (US$107million as of December 31, 2007) 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, 2007), and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$41.04million up to December 31, 2008 (US$40.8million up to December 31, 2007). During the year ended December 31, 2008, borrowing costs of US$0.63million were capitalized (US$0.64million for the year ended December 31, 2007).

During May 2008, an agreement was signed with a contractor whereby both parties agreed to cancel all the arbitrations raised against each other in previous years. In addition the agreement stated that the Group receive an amount of US$43,094,872 of which US$8,494,875 was previously settled. As a result, provisions in the amount of US$12,604,171 setup up to December 31, 2007, of which US$7,882,327 in 2007 recorded under "Write-back of provision/(provision) against land and real estate development cost", were written back to the income statement in 2008. The balance in the amount of US$30,490,701 was offset against cost of inventory of land and projects in progress in the balance sheet. The deposit payable and retention payable in the amount of US$8,494,875 and US$2,831,625, respectively (Note 16), as at December 31, 2007 were offset against cost of inventory of land and projects in progress in the balance sheet (Note 33 (j)).

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, 2008 (US$22.2million as of December 31, 2007) 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, 2008 amounted to US$2.9million (US$2.8million for the year ended December 31, 2007).

(b) Real estate development projects include the following:

DECEMBER 31,	2008 US$	2007 US$
Construction and rehabilitation of buildings	430,857,950	390,244,030
Cost of land	96,290,690	79,521,156
Cumulative costs	527,148,640	469,765,186
Less: Cost transferred to investment properties, net	(282,799,911)	(185,286,091)
Cost transferred to fixed assets	(27,370,432)	(26,145,684)
Cost of real estate sold	(44,164,255)	(44,164,255)
	172,814,042	**214,169,156**

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$135million as of December 31, 2008 (US$106.3million as of December 31, 2007).

During 2008, the Group wrote-off costs in the aggregate amount of 5,535,809 related to old real estate development projects, and recorded under "write-off of land and real estate development cost" in the income statement.

During 2008, the Group wrote-off costs in the aggregate amount of US$2,500,863 related to projects that were sold in previous years and recorded under "Write-off of land and real estate development cost" in the income statement.

During 2008, a provision for impairment in the amount of US$3,000,000 was setup against real estate development projects. The above provision was recorded under "Write-back of provision/(provision) against land and real estate development cost" in the income statement.

Based on all of the above, Write-back of provision/(provision) against land and real estate development cost in the income statement consists of the following:

DECEMBER 31,	2008 US$	2007 US$
Write back of provision (a.3)	12,604,171	-
Provision for impairment (b)	(3,000,000)	(7,882,327)
	9,604,171	**(7,882,327)**

Write-off of land and real estate development cost in the income statement consist of the following:

DECEMBER 31,	2008 US$	2007 US$
Provision for impairment (b)	5,535,809	-
Write-off of costs incurred (b)	2,500,863	-
	8,036,672	**-**

12 INVESTMENT PROPERTIES, NET

	Balance as at December 31 2007 US$	Additions US$	Transfers US$	Disposals and Sales US$	Balance as at December 31 2008 US$
Cost					
Land	42,090,628	-	16,759,535	(2,435,892)	56,414,271
Buildings	124,281,478	301,246	63,638,342	(8,563,754)	179,657,312
Other assets	4,585,459	39,358	(655,868)	-	3,968,949
	170,957,565	**340,604**	**79,742,009**	**(10,999,646)**	240,040,532
Accumulated Depreciation					
Buildings	17,644,192	3,110,665	5,000	(436,600)	20,323,257
Other assets	2,964,333	164,874	(199,009)	-	2,930,198
	20,608,525	**3,275,539**	**(194,009)**	**(436,600)**	23,253,455
Net Book Value	**150,349,040**				**216,787,077**

	Balance as at December 31 2006 US$	Additions US$	Transfers US$	Disposals and Sales US$	Balance as at December 31 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**

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, 2008, the Group sold property having an aggregate net book value of US$9,262,563 for total proceeds of US$8,454,923 which resulted in a loss of US$807,640 recorded under "Loss on sale of investment properties" in the income statement (net book value of US$8,521,382, total proceeds of US$7,697,283 and loss of US$824,099 for the year ended December 31, 2007). Also during 2008, the Group booked an impairment loss on investment properties due to additional costs incurred that will not be recovered in future periods amounting to US$1,300,483 recorded under "Loss on sale of investment properties".

During the year ended December 31, 2008, the Group transferred US$80,744,285 from real estate development projects to investment properties (US$10,580,812 for the year ended December 31, 2007).

During the year ended December 31, 2008, the Group transferred US$527,335 from fixed assets to investment properties.

During the year ended December 31, 2008, the Group transferred cost in the amount of US$1,529,611 and related depreciation in the amount of US$194,009 from investment properties to fixed assets.

The fair value of the investment properties is estimated by management at around US$605million based on current market prices (US$320million as of December 31, 2007). There has been no valuation of these properties by an independent valuer.

Depreciation for investment properties in the amount of US$3,275,539 for the year 2008 (US$2,740,934 for the year 2007) is recorded under "Charges on rented properties" caption in the income statement (Note 25).

13 INVESTMENT IN AN ASSOCIATE

Details of the Group's associate are as follows:

	Country of Incorporation	Ownership Interest %	2008 Cost US$	2008 Group's Share of Equity US$	2007 Cost US$	2007 Group's Share of Equity US$
Solidere International Limited	UAE	38.18	**298,243,509**	**296,444,933**	**219,427,730**	**287,458,659**

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

DECEMBER 31,	2008 US$	2007 US$
Total assets	923,820,740	878,335,751
Total liabilities	(38,548,196)	(5,672,721)
Less: Minority interest	(108,914,805)	(108,523,324)
Net assets	**776,357,739**	**764,139,706**
Group's share of net assets of an associate	**296,444,933**	**287,458,659**
Initial price of investment	**298,243,509**	**219,427,730**
Group's share of results of an associate	**(1,798,576)**	**68,030,929**
Carrying amount of the investment	**296,444,933**	**287,458,659**

During the first half of the year 2007, Solidere established Solidere International Holdings sal (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 sal 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.

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

During 2008, the Group increased its direct ownership in Solidere International Limited to 38.18% by acquiring 66,849 shares for an amount of US$10,784,850, thus increasing the carrying amount of the investment from US$287million to US$298million as at December 31, 2008.

14 FIXED ASSETS, NET

Fixed assets are composed of the following:

	Balance as at December 31, 2007 US$	Additions US$	Transfers US$	Disposals and Sales US$	Balance as at December 31 2008 US$
Cost					
Land	5,080,192	-	-	-	5,080,192
Buildings	11,725,529	113,358	638,532	-	12,477,419
Marina	6,934,100	-	932,624	-	7,866,724
Furniture and fixtures	2,547,704	134,688	3,680	-	2,686,072
Freehold improvements	3,614,458	183,578	125,936	-	3,923,972
Plant	-	-	-	-	-
Machines and equipment	24,530,020	2,153,473	2,926,295	(194,245)	29,415,543
Prefabricated Office	-	40,425	-	-	40,425
	54,432,003	**2,625,522**	**4,627,067**	**(194,245)**	61,490,347
Accumulated Depreciation					
Buildings	1,994,043	225,303	-	-	2,219,346
Marina	512,792	157,331	(5,000)	-	665,123
Furniture and fixtures	2,154,268	234,414	414	-	2,389,096
Freehold improvements	2,403,462	341,627	25,502	-	2,770,591
Plant	-	-	-	(144,305)	(144,305)
Machines and equipment	11,725,561	4,387,322	173,093	(3,457)	16,282,519
Prefabricated Office	-	3,369	-	-	3,369
	18,790,126	**5,349,366**	**194,009**	**(147,762)**	24,185,739
Net Book Value	**35,641,877**				**37,304,608**

	Balance as at December 31, 2006 US$	Additions US$	Transfers US$	Disposals and Sales US$	Balance as at December 31 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**

During the year ended December 31, 2008, the Group transferred computer equipment and installations (Broad Band Network) amounting to US$2,400,043 from real estate development projects to fixed assets (US$8,003,723 during the year ended December 31, 2007).

During the year ended December 31, 2008, the Group transferred US$1,224,748 from real estate development projects to fixed assets.

During the year ended December 31, 2008, the Group transferred US$1,529,611 and its related depreciation in the amount of US$194,009 from investment properties to fixed assets.

During the year ended December 31, 2008, the Group transferred US$527,335 from fixed assets to investment properties.

The depreciation for the year ended December 31, 2008 was split between an allocation to inventory of land and projects in progress, prepayment and other debit balances and a charge to the income statement of US$573,750, US$262,937 and US$4,512,679 respectively (US$983,218, US$262,549 and US$1,494,267 respectively for the year ended December 31, 2007).

15 BANK OVERDRAFTS AND SHORT TERM FACILITIES

Bank overdrafts and short term facilities consist of the following:

DECEMBER 31,	2008 US$	2007 US$
Bank overdrafts	4,523,728	1,290,555
Short term facilities	172,473,107	179,895,936
	176,996,835	**181,186,491**

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 matured on August 3, 2008. The covenants of the agreements stipulated that the Group maintain a maximum debt to equity ratio of 1:4 and a minimum equity balance of US$1billion. This facility was renewed in 2008.

On June 18, 2007, the Company signed a US$40million one year credit facility with a local bank. This facility was subject to an interest rate of three-month 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. On July 5, 2008, the Group renewed this facility with the same bank. The new facility is subject to an interest rate of three-month Libor plus 1.5% but not less than 4.5%. The covenants of the agreements stipulate that the Group maintain a maximum debt to equity ratio and banks' loans, overdraft, and facilities to equity ratio of 2:1 and 4:1 respectively. In addition, the Group should maintain receivables including loans, lease contracts and notes receivables free from any liens in the minimum amount of US$75million.

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

16 ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

DECEMBER 31,	2008 US$	2007 US$
Accounts payable (a)	37,738,376	39,683,157
Accrued charges and other credit balances (b)	10,456,334	18,310,542
Taxes payable (c)	38,305,392	29,850,507
Provision for end-of-service indemnity and other charges (d)	8,039,259	6,890,576
Due to an associate and related party	-	563,172
Deferred tax liability – Note 10	32,670	26,028
Accrued interest payable	738,649	4,033,945
	95,310,680	**99,357,927**

(a) Accounts payable as of December 31, 2008 and 2007 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 33(f).

(b) Accrued charges and other credit balances as of December 31, 2007 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 (Note 33(j)).

During 2008, an agreement was signed with the abovementioned contractor whereby it was agreed that all the arbitration raised shall be cancelled. As a result, the liability was offset against cost of inventory of land and projects in progress (Note 11 a.3).

(c) Taxes payable consist of the following:

DECEMBER 31,	2008 US$	2007 US$
Accrued income tax	30,997,135	25,652,763
VAT Payable	21,369	22,232
Taxes withheld	752,984	1,437,522
Property tax payable	2,112,855	2,067,931
VAT additional tax assessment	670,059	670,059
Tax review assessment	3,750,990	-
	38,305,392	**29,850,507**

Income Tax

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

The accrued income tax for the years 2008 and 2007 was estimated as follows:

	2008 US$	2007 US$
Profit before tax	214,327,398	249,857,943
Less: income/(losses) of subsidiaries	796,923	(68,028,316)
Add: Non deductible provisions and charges	9,228,266	4,806,251
Less: Non taxable revenues	(13,193,954)	(13,954,898)
Taxable income	211,158,633	172,680,980
Applicable tax rate	15%	15%
Accrued income tax	31,673,795	25,902,147
Add: Income tax provision subsidiaries	113,336	95,904
Total accrued income tax	31,787,131	25,998,051
Less: Tax on interest previously settled	(789,996)	(345,288)
Accrued income tax payable	**30,997,135**	**25,652,763**
Total accrued income tax	31,787,131	25,998,051
Less: Deferred tax assets – Note 08(c)	(178,678)	(331,960)
Income tax expense	**31,608,453**	**25,666,091**

During 2008, the Company's accounts for the years 2004 to 2006 were reviewed by the tax authorities which resulted in additional tax liability in the amount of US$3.7million. An amount of US$1.4million was charged to the income statement for the year ended December 31, 2008 and recorded under "Other taxes", and the balance was transferred from provisions setup in previous years. The Group settled these taxes in 2009.

The tax returns for the years 2007 and 2008 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.

Municipality Tax

During 2008, the Group accrued for additional municipality tax liability for previous years in the amount of US$2,326,425 recorded under "Other taxes".

VAT

During 2007, the Company's VAT declarations for the years 2003 and 2004 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".

Property Tax

Property tax payable in the amount of US$2.11million as at December 31, 2008 is included under the caption "Charges on rented properties" in the income statement (US$2.07million as at December 31, 2007).

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

	2008 US$	2007 US$
Balance at the beginning of the year	6,890,576	4,463,259
Additions	1,499,712	2,876,491
Settlements	(351,029)	(449,174)
Balance at the end of the year	**8,039,259**	**6,890,576**

17 DIVIDENDS PAYABLE

General Assembly Date US$	Dividend per Share US$	Declared US$	Settled up to December 31 2008 US$	December 31 2008 Payable US$	2007 Payable
June 29, 1996	0.20	30,918,413	29,188,749	1,729,664	1,816,808
June 30, 1997	0.25	40,367,172	37,309,656	3,057,516	3,177,015
June 29, 1998	0.25	39,351,753	35,693,765	3,657,988	3,793,403
June 23, 2003	Stock dividend	-	244,404	21,861	27,485
June 12, 2006	0.6	94,831,106	87,983,253	6,847,853	10,803,149
June 22, 2007	1.00	155,093,702	140,436,728	14,656,974	26,594,937
July 15, 2008	1.00	155,090,832	122,073,126	33,017,706	-
				62,989,562	**46,212,797**

The General Assembly held on July 15, 2008 decided 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$122million was settled up to December 31, 2008.

The General Assembly held on June 22, 2007 decided 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$140million was settled up to December 31, 2008 (US$128million 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

DECEMBER 31	2008 US$	2007 US$
Cash down payments and commitments on sale contracts	229,656,877	222,328,962
Deferred rental revenue and related deposits	26,866,850	10,818,490
	256,523,727	**233,147,452**

Cash down payments and commitments on sale contracts include balances aggregating to approximately US$226million that relate to 10 sale contracts with an aggregate potential gross sales value of US$579million as of December 31, 2008 (US$211million relating to 13 sale contracts with an aggregate potential gross sale value of US$826.5million as of December 31, 2007).

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 represented 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.

The Company (seller) exercised the option to buy back the shares during the specified period and therefore the Group retained the above mentioned shares. As a result, the group settled the liability in the amount of US$74,992,000, previously received and related accrued interest payable in the amount of US$5,188,400.

(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 contract. The strike price represents the selling price plus accumulated interest.

The Company (seller) exercised the option to buy back the shares during the specified period and therefore the group retained the above mentioned shares. As a result, the group settled the liability in the amount of US$95,288,000, previously received and related accrued interest payable in the amount of US$6,592,600.

During 2008, interest in the amount of US$8,175,885 was charged and recorded under "Interest expense" in the income statement.

20 LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

DECEMBER 31	2008 US$	2007 US$
Local bank loan	1,000,000	3,000,000
Loan guaranteed by Export - Import of the United States	1,347,054	4,041,163
	2,347,054	**7,041,163**

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

DECEMBER 31	2008 US$	2007 US$
2008	-	4,694,109
2009	2,347,054	2,347,054
	2,347,054	**7,041,163**

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 2008 in addition to settlements aggregating to US$7million from 2004 till 2007 and thus the balance of the loan decreased to US$1million as of December 31, 2008. The loan is subject to an annual interest rate of 3 months Libor plus 1%. The Group 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 2008 in addition to installments amounting to US$9.45million from 2004 till 2007 and thus the balance of the loan decreased to US$1.34million as at December 31, 2008. 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$3.35million 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 9,909,098 shares with an aggregate value of US$168,521,399 as at December 31, 2008 (9,906,298 shares with an aggregate value of US$168,491,485 as at December 31, 2007).

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 Group.
› Class "B", amounting to 65,000,000 shares represented capital subscription in cash and are all issued and fully paid at the establishment of the Group.

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

As of December 31, 2008, the Group had 14,445,252 "A" shares listed on the London Stock Exchange in the form of Global Depository Receipts (GDR) (14,476,898 "A" shares as of December 31, 2007).

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 9,909,098 shares class (A) and (B) as of December 31, 2008 (9,906,298 shares as of December 31, 2007).

The treasury shares outstanding as of December 31, 2008 and December 31, 2007 were stated at the weighted average cost.

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

As of December 31, 2008 and 2007, this caption includes 3,685,000 shares that were acquired from sale of properties.

24 REVENUES FROM RENDERED SERVICES

DECEMBER 31	2008 US$	2007 US$
Services rendered to a related party (Note 32)	5,863,908	2,262,480
Services rendered to clients	742,814	690,845
Broadband Network revenues	819,923	-
	7,426,645	**2,953,325**

25 CHARGES ON RENTED PROPERTIES

DECEMBER 31	2008 US$	2007 US$
Depreciation expense (Note 12)	3,275,539	2,740,934
Property taxes	2,617,131	2,262,480
Maintenance and other related expenses, net	2,452,934	2,066,882
	8,345,604	**7,070,296**

26 COST OF SERVICES RENDERED

DECEMBER 31	2008 US$	2007 US$
Cost of services rendered to a related party	6,406,693	4,319,285
Cost of services rendered to clients	1,925	86,127
Broad Band Network cost of services rendered	1,500,004	-
	7,908,622	**4,405,412**

27 GENERAL AND ADMINISTRATIVE EXPENSES

DECEMBER 31	2008 US$	2007 US$
Salaries, benefits and related charges	13,879,041	12,787,089
Board of directors' remuneration	144,000	144,000
Administrative expenses	5,328,641	5,155,634
	19,351,682	**18,086,723**

The Group reallocated salaries, benefits and related charges and administrative expenses amounting to US$3.3million to construction cost during the year ended December 31, 2008 (US$2.8million during the year ended December 31, 2007). During 2008, the Group increased the salaries of its employees in accordance with Decree 500 dated October 24, 2008.

28 OTHER INCOME

DECEMBER 31	2008 US$	2007 US$
Gain on sale of investment securities	645,911	-
Others	186,121	202,516
	832,032	**202,516**

29 INTEREST INCOME

DECEMBER 31	2008 US$	2007 US$
Interest income from notes and accounts receivable	38,902,736	31,612,508
Interest income from banks	16,593,374	8,539,017
	55,496,110	**40,151,525**

30 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 155,092,069 shares for the year 2008 (155,147,918 shares for the year 2007).

31 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	2008 US$	2007 US$
Non-cash transfer of shares against recuperated properties	-	(153,640)
Decrease in receivables from recuperated properties	-	(63,368)
	-	**(217,008)**

(b) Depreciation was applied as follows:

DECEMBER 31	2008 US$	2007 US$
Depreciation of fixed assets - Note 14	5,349,366	2,740,034
Depreciation of investment properties - Note 12	3,275,539	2,740,934
Less: Depreciation allocated to inventory of land and projects in progress and other debit balances – Note 11	(836,687)	(1,140,093)
Depreciation charge for the year	**7,788,218**	**4,340,875**

(c) Interest expense consists of the following:

DECEMBER 31	2008 US$	2007 US$
Interest charged as period cost	20,309,559	15,885,954
Interest expense allocated to inventory of land and projects in progress – Note 11	197,238	638,613
Total interest expense	**20,506,797**	**16,524,567**

(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$80,744,285 for the year ended December 31, 2008 (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$2,400,043 for the year ended December 31, 2008 (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$217,800 offset against "Cumulative change in fair value of available-for-sale securities" and "Accounts payable and other liabilities" in the amount of US$185,130 and US$32,670, respectively, for the year ended December 31, 2008 (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).

(g) During the year ended December 31, 2008, the Group transferred US$1,224,748 from real estate development projects to fixed assets.

(h) During the year ended December 31, 2008, the Group transferred US$1,529,611 and its related depreciation in the amount of US$194,009 from investment properties to fixed assets.

(i) During the year ended December 31, 2008, the Group transferred US$527,335 from fixed assets to investment properties.

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

DECEMBER 31	2008 US$	2007 US$
Cash	88,252	85,026
Current accounts	7,921,544	11,064,074
Short term deposits		278,613,353
	309,513,061	
Bank overdrafts	(176,996,835)	(181,186,491)
	109,626,314	**139,475,670**

32 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$54,009,732 as of December 31, 2008 (US$162,113,039 as of December 31, 2007) representing current bank accounts with a local bank who is a significant but minority shareholder of the Group.

Bank overdraft and short term facilities include US$110,453,028 as of December 31, 2008 (US$110,668,330 as of December 31, 2007) representing short term facilities with a local bank who is a significant but minority shareholder of the Group.

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

General and administrative expenses include legal fees in the amount of US$120,000 for the year ended December 31, 2008 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, 2007).

The Group incurred various expenses on behalf of its related parties whose total balances due amounted to US$5,864,520 as of December 31, 2008 (US$3,808,163 as of December 31, 2007).

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

During 2008, the Group charged Solidere International Limited, an associate, administrative expenses amounting to US$5,863,908 (US$2,262,480 for the year 2007), in addition to an amount of US$81,319 (US$322,470 for the year 2007) 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, 2008 amounted to US$2,924,476 (US$2,865,545 for the year ended December 31, 2007).

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.

33 COMMITMENTS AND CONTINGENCIES

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

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

(c) Commitments for contracted works not executed as of December 31, 2008 amounted to approximately US$46.5million (US$88.5million as of December 31, 2007).

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

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

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

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

(g) In prior periods, the Group submitted to the Ministry of Culture and Higher Education claims totaling US$17.7millions 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 Group 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 whose outstanding balance amounted to US$1.35million as of December 31, 2008 (US$4.04million as of December 31, 2007). Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral (Note 07).

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

(j) During 2003, the Group entered into a dispute with one of its contractors regarding what the Group 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 Group 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 Group 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 Group collected the performance bond amounting to US$8.5million. On July 12, 2004, the International Court of Arbitration ruled that the contractor pay the Group the sum of US$2,188,000 in respect of the Group'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 Group recorded a receivable in the amount of US$2,358,000 in the accompanying financial statements. During 2008, the above amount was offset against cost of inventory of land and project in progress in the balance sheet - Note 08(e).

On June 21, 2004, the contractor requested arbitration in a second case against the Group 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 Group from the performance bond mentioned above.

During 2005 and early 2006, both the Group and the contractor filed counter arbitrations against each other that were still pending as at December 31, 2007.

On January 30, 2008, the parties exchanged post-hearing written pleadings summarizing their respective positions.

During May 2008, an agreement was signed with the above mentioned contractor whereby both parties agreed to cancel all the arbitrations raised against each other. In addition, the agreement stated that the Group receive an amount of US$43,094,872 of which US$8,494,875 was previously settled. As a result, provisions in the amount of US$12,604,170 were written back and recorded in the income statement and the balance was offset against cost of inventory of land and projects in progress in the balance sheet. The deposit and retention payable in the amount of US$8,494,875 and US$2,831,625, respectively, as at December 31, 2007 were offset against cost of inventory of land and projects in progress in the balance sheet (Note 11).

34 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, 2008 and 2007.

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, 2008 and 2007 was as follows:

DECEMBER 31	2008 US$	2007 US$
Total consolidated liabilities	594,167,858	737,225,830
Less: Cash and bank balances	(291,703,019)	(327,847,633)
Total debt	302,464,839	409,378,197
Total equity	1,859,664,619	1,832,028,785
Gearing ratio	**16%**	**22%**

35 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
2008:		
US Dollars	+20	829,148
US Dollars	-15	621,861
2007:		
US Dollars	+20	596,105
US Dollars	-15	447,079

(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 93 counter-parties; 6 customers constitute 70% of the total exposure and 87 customers constitute the remaining 30%. The maximum exposure is the carrying amount as disclosed in Note 08.

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

	Lebanon USD	Middle East USD	Europe USD	Total USD
December 31, 2008				
Total assets	2,142,380,808	296,444,933	15,006,736	2,453,832,477
Total liabilities	594,167,858	-	-	594,167,858
Net assets	**1,548,212,950**	**296,444,933**	**15,006,736**	**1,859,664,619**
December 31, 2007				
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**

(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:

	On Demand USD	Less than 3 Months USD	3-12 Months USD	1 to 5 Years USD	Total USD
December 31, 2008					
Bank overdrafts and short term facilities	-	-	176,996,835	-	176,996,835
Accounts payable and other liabilities	19,935,809	-	58,516,731	16,858,140	95,310,680
Dividends payable	62,989,562	-	-	-	62,989,562
Deferred revenues and other credit balances	-	-	26,866,850	229,656,877	256,523,727
Loans from banks and financial institutions	-	-	2,347,054	-	2,347,054
	82,925,371	**-**	**264,727,470**	**246,515,017**	**594,167,858**
December 31, 2007					
Bank overdrafts and short term facilities	1,290,555	3,241,841	176,654,095	-	181,186,491
Accounts payable and other liabilities	99,357,927	-	-	-	99,357,927
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	-	-	170,280,000	-	170,280,000
Loans from banks and financial institutions	-	51,367	4,568,350	2,421,446	7,041,163
	146,861,879	**3,293,208**	**351,502,445**	**235,568,898**	**737,225,830**

36 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.

37 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements for the year ended December 31, 2008, on March 17, 2009.