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Independent Auditors' Report

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

We have audited the accompanying financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l., which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l as of December 31, 2006, 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 30, 2007

Deloitte & Touche

Ernst & Young

Consolidated Balance Sheet

December 31,	Notes	2006 US$	2005 US$
Assets			
Cash and bank balances	5	106,202,604	111,535,548
Prepayments and other debit balances	6	28,253,397	25,771,367
Accounts and notes receivable, net	7	348,942,550	272,820,638
Investment securities	8	8,610,673	9,579,440
Inventory of land and projects in progress	9	1,457,804,977	1,527,484,124
Investment properties, net	10	150,651,813	153,757,985
Fixed assets, net	11	26,115,483	26,206,813
Total Assets		**2,126,581,497**	2,127,155,915
Liabilities			
Bank overdrafts	5	48,362,001	10,020,182
Accounts payable and other liabilities	12	83,323,709	73,312,685
Dividends payable	13	30,877,712	10,266,707
Deferred revenues and other credit balances	14	168,305,793	55,099,426
Deferred credits	15	-	3,900,000
Loans from banks and financial institutions	16	27,062,700	129,399,059
Total Liabilities		**357,931,915**	281,998,059
Equity			
Issued capital at par value US$10 per share:	17		
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	18	59,935,830	46,717,354
Retained earnings		90,736,571	87,892,299
Cumulative changes in fair value of interest rate swap agreement	12	-	(861,982)
Cumulative changes in fair value of available-for-sale securities	8	38,760	(233,180)
Surplus on sale of treasury shares	15	11,653,751	2,508,180
Income for the year less legal reserve		118,948,473	97,675,378
Less: Treasury shares	13 & 19	(162,663,803)	(38,540,193)
Total Equity		**1,768,649,582**	1,845,157,856
Total Liabilities and Equity		**2,126,581,497**	2,127,155,915

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

Consolidated Income Statement

December 31,	Notes	2006 US$	2005 US$
Revenues from land and real estate sales		253,344,014	235,256,243
Revenues from rented properties		20,719,451	20,793,378
Revenues from project management and consulting services		2,066,977	-
Cost of land and real estate sales		(114,584,398)	(107,378,218)
Charges on rented properties	20	(6,457,583)	(6,479,558)
Cost related to project management and consulting services		(1,831,969)	-
Gain on sale of investment properties	10	264,974	297,436
Net revenues from operations		**153,521,466**	142,489,281
General and administrative expenses	21	(14,304,800)	(11,493,031)
Depreciation	11	(1,699,106)	(1,432,625)
Provision against land development cost	9	(3,036,061)	(1,685,783)
Other taxes	12	(1,319,859)	-
Provision for doubtful receivables and write-offs	6 & 7	-	(298,693)
Interest income	22	27,211,687	15,614,324
Interest expense		(7,173,307)	(17,490,405)
Income for the year before income tax		**153,200,020**	125,703,068
Income tax	12	(21,033,071)	(17,174,870)
Income for the year		**132,166,949**	108,528,198
Basic/diluted earnings per share	23	**0.8375**	0.6863

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

Consolidated Statement of Changes in Equity

	Share Capital US$	Legal Reserve US$	Treasury Shares US$	Retained Earnings US$	Cumulative Changes in Fair Value of Interest Rate Swap Agreement US$	Cumulative Changes in Fair Value of Available-for-sale-Securities US$	Surplus on Sale of Treasury Shares US$	Income for the Year Less Legal Reserve US$	Total US$
Balance at December 31, 2004	1,650,000,000	35,864,534	(69,820,864)	34,183,162	(3,557,815)	-	-	48,681,791	1,695,350,808
Income for the year - 2005	-	-	-	-	-	-	-	108,528,198	108,528,198
Change in fair value of interest rate swap agreement	-	-	-	-	2,695,833	-	-	-	2,699,833
Change in fair value of available-for-sale securities	-	-	-	-	-	(233,180)	-	-	(233,180)
Total result of the year	-	-	-	-	2,695,833	(233,180)	-	108,528,198	110,990,851
Surplus on sale of treasury shares	-	-	-	-	-	-	2,508,180	-	2,508,180
Allocation of 2004 income	-	-	-	48,681,791	-	-	-	(48,681,791)	-
Allocation to legal reserve from 2005 income	-	10,852,820	-	-	-	-	-	(10,852,820)	-
Effect of mark up of treasury shares	-	-	(5,027,346)	5,027,346	-	-	-	-	-
Treasury shares trade and land sale exchange (net)	-	-	36,308,017	-	-	-	-	-	36,308,017
Balance at December 31, 2005	1,650,000,000	46,717,354	(38,540,193)	87,892,299	(861,982)	(233,180)	2,508,180	97,675,378	1,845,157,856
Income for the year - 2006	-	-	-	-	-	-	-	132,166,949	132,166,949
Change in fair value of interest rate swap agreement	-	-	-	-	861,982	-	-	-	861,982
Change in fair value of available-for-sale securities	-	-	-	-	-	271,940	-	-	271,940
Total result of the year	-	-	-	-	861,982	271,940	-	132,166,949	133,300,871
Surplus on sale of treasury shares	-	-	-	-	-	-	9,145,571	-	9,145,571
Allocation of 2005 income	-	-	-	97,675,378	-	-	-	(97,675,378)	-
Allocation to legal reserve from 2006 income	-	13,218,476	-	-	-	-	-	(13,218,476)	-
Treasury shares trade and land sale exchange (net)	-	-	(124,123,610)	-	-	-	-	-	(124,123,610)
Dividends - Note 13	-	-	-	(94,831,106)	-	-	-	-	(94,831,106)
Balance at December 31, 2006	**1,650,000,000**	**59,935,830**	**(162,663,803)**	**90,736,571**	**-**	**38,760**	**11,653,751**	**118,948,473**	**1,768,649,582**

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

Consolidated Cash Flow Statement

December 31,	Notes	2006 US$	2005 US$
Cash flows from operating activities			
Income for the year before income tax		153,200,020	125,703,068
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	24	4,577,012	4,387,126
Gain on sale of investment properties	10	(264,974)	(297,436)
Provision for doubtful receivables and write offs	7	-	298,693
Provision for contingencies and other charges	12(d)	837,921	515,000
Sale transactions against acquisition of treasury shares	24	-	6,360,898
Interest income	22	(27,211,687)	(15,614,324)
Interest expense	24	8,153,514	18,692,698
Changes in fair value of interest rate swap agreement	12 (e)	1,012,279	-
Changes in working capital:			
Prepayments and other debit balances		5,660,430	(5,547,336)
Accounts and notes receivable	24	(76,482,211)	(62,864,840)
Inventory of land and projects in progress	24	70,497,438	74,485,876
Accounts payable and other liabilities	24	4,166,342	(27,044,859)
Deferred revenues and other credit balances		113,206,367	(6,484,555)
Interest received		18,877,780	9,552,249
Income tax paid		(17,159,028)	(10,122,897)
Net cash provided by operating activities		259,071,203	112,019,361
Cash flows from investing activities			
Pledged term deposits with banks		3,865,440	1,761,170
Investment securities	24	1,288,697	(6,202,863)
Receivable from recuperated properties	24	413,000	981,303
Acquisition of investment properties	10	(467,206)	(627,759)
Proceeds from sale of fixed assets		-	28,202
Proceeds from sale of investment properties	10	960,446	1,098,486
Acquisition of fixed assets	11	(2,426,067)	(1,757,748)
Net cash provided by/(used in) investing activities		3,634,310	(4,719,209)
Cash flows from financing activities			
Bank loans (settlement)		(102,336,359)	(104,651,178)
Dividends paid	13	(74,220,101)	(963,659)
Deferred credits	15	-	(13,000,000)
Treasury shares	24	(136,294,710)	4,786,691
Proceeds from sales of treasury shares	15	17,714,145	20,600,000
Interest paid		(7,377,811)	(16,132,387)
Net cash used in financing activities		(302,514,836)	(109,360,533)
Net change in cash and cash equivalents		(39,809,323)	(2,060,381)
Cash and cash equivalents — Beginning of the year		72,029,543	74,089,924
Cash and cash equivalents — End of the year	24	**32,220,220**	**72,029,543**

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

Notes to the consolidated financial statements

Year ended December 31, 2006

1. Formation and objective of the company

The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. (SOLIDERE) 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. This operation is treated as one segment and the Company operates currently in beirut only.

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.

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

The Company's shares are listed on the Beirut stock exchange and Global Depository Receipts (GDR) are listed on the London stock exchange. Furthermore, the Company's shares were listed on the Kuwait stock exchange during the year 2005.

2. Summary of significant accounting policies

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

The consolidated financial statements of Solidere include the financial statements of the Company and related companies that have been consolidated, as follows:

Company	Ownership share	Date of establishment
Beirut water front development s.a.l. (joint venture) (Proportionate consolidation)	50	April 2004
Beirut real estate management and Services s.a.l. (joint venture), (proportionate consolidation)	45	September 2005
Solidere management services s.a.l.	100	June 2006
Beirut real estate management and Services (offshore) s.a.l. (joint venture), (proportionate consolidation)	50	December 2006

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

The significant accounting policies are set here below:

a. Basis of presentation
In view of the long term nature and particulars of the Company's operations, the financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Company 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 U.S. Dollars, in accordance with the applicable law, which reflects the economic substance of the underlying events and circumstances of the Company. 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 period. 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 Company 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. Investment securities
All investment securities are initially recognized and derecognized at a trade date basis, where the sale and purchase of an investment is under a contract whose term require delivery of the investment within the timeframe established by the market concerned.

Investment securities are initially recognized at fair value at acquisition date, net of transaction costs, directly attributable to the purchase.

Held-to-maturity securities which have fixed or determinable payments 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.

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 income statement.

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.

f. 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 Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

g. 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 properties held for development and sale.

h. Investment properties
Investment properties which represent rented and vacant available for rent properties are stated at cost less accumulated depreciation and any impairment in value.

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

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

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and the carrying value exceeds the estimated recoverable amount, the investment properties are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of investment properties 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 investment properties. All other expenditure is recognized in the income statement as the expense is incurred.

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

i. Interest in a joint venture
The Company 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 Company recognizes its share in joint ventures by using the proportionate consolidation method.

The Company 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 Company 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 Company sells assets to the joint venture, the Company 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 Company ceases to have joint control over the joint venture.

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

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

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and the carrying value exceeds the estimated recoverable amount, the fixed assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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. 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 Company's own equity instruments.

Treasury shares previously marked down due to sharp decrease in market price are marked up through retained earnings up to the average cost of acquisition. 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.

l. 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 Company's receivable is not subject to future subordination.

The Company has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and the Company 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.

m. 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.

n. Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Treasury shares sold where the buyer has the option to put back to the Company are treated as deferred credits. The difference between the original sales proceeds and option strike price is treated as interest which is accrued using the effective interest rate method.

o. 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.

p. 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 assets or liability.

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

Effective May 10, 2004, income tax is determined and provided for in accordance with the Lebanese tax laws. Income tax expense is calculated based on 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.

r. Provisions
Provisions are recognized when the Company has a present obligation as a result of a past event whereby it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

s. Employees' end-of-service benefits
The Company 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.

3. Adoption of new and revised international financial reporting standards

The Company has not adopted the following standards which were either issued but not yet effective or in process of being issued:
IFRS 7. Financial instruments: disclosures
IFRS 7 will become effective from January 1, 2007 and will require additional disclosures with respect to financial instruments and related risks.

IFRS 8. Operating segments
IFRS 8 was issued in November 2006 and is effective for periods beginning on or after January 1, 2009. This new IFRS requires amendments to disclosures made by entities with respect to operating segments.

4. Interest in a joint venture

The Company has interest in joint ventures as follows:

a. The Company entered into a joint venture agreement on February 11, 2004, with Stow Waterfront s.a.l. (Holding) to establish Beirut Waterfront Development s.a.l. With a 50% stake in the joint venture's total capital amounting to US$19,900. During the year 2006, the capital of the joint venture was increased to US$12,819,900 without changing the Company'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 Company 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 will contribute in cash an amount of US$31,600,000 to the joint venture. During 2005, the amount contributed by the other venturer amounted to US$21,060,000. During 2006 the other venturer settled the remaining balance amounting to US$10,540,000.

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

The Company's share of the assets, liabilities, income and expenses of the jointly controlled entities at December 31, 2006 and 2005, included in the consolidated financial statements, are as follows:

December 31,	**2006** US$	2005 US$
Assets		
Cash and bank balances	13,498,710	9,282,897
Prepayments and other debit balances	559,967	17,493
Inventory of land and projects in progress	7,933,467	6,344,896
Fixed assets, net	81,085	66,700
	22,073,229	15,711,986
Liabilities		
Bank overdrafts	-	2,089
Accounts payable and other liabilities	716,140	60,353
Deferred revenues and other credit balances	168,565	-
	884,705	62,442

Income and expenses

	2006 US$	2005 US$
Revenues from consulting services	24,747	-
General and administrative expenses	(417,482)	(121,658)
Depreciation	(15,220)	(8,600)
Interest income	583,279	212,086
Income for the year/period before income tax	175,324	81,828
Income tax	(41,346)	(10,517)
Income for the year/period	**133,978**	71,311

5. Cash and bank balances

Cash and bank balances are composed of the following:

December 31,	**2006** US$	2005 US$
Cash on hand	98,749	93,902
Current accounts	19,515,034	20,446,999
Short term deposits	60,968,438	61,508,824
	80,582,221	82,049,725
Pledged term deposits	25,620,383	29,485,823
	106,202,604	111,535,548

Short term deposits mature in January 2007 (December 31, 2005: Short term deposits mature in January 2006). The average yield on the term deposits as of December 31, 2006 was approximately 5.86% (4.68% for the year ended December 31, 2005).

Pledged term deposits include an amount of US$16.7 million as of December 31, 2006 (US$18.5 million as of December 31, 2005) pledged against the loan provided to the Company and guaranteed by "COFACE" as explained in Note 16. It also includes deposits of US$8.9 million (US$10.9 million as of December 31, 2005) pledged against a stand-by letter of credit to the extent of about US$3.5 million (US$3.5 million as of December 31, 2005) and against a local bank's loan to the extent of US$5 million (US$7 million as of December 31, 2005) as explained under Note 16 and Note 26 (h).

Bank overdrafts in the amount of US$48,362,001 as at December 31, 2006 (US$10,020,182 as at December 31, 2005) represent short-term facilities granted by local banks. The average interest on these overdrafts for the year ended December 31, 2006 was approximately 7.85% (6.86% for the year ended December 31, 2005).

Bank overdrafts include an amount of US$20 million as at December 31, 2006 granted by a local bank. During year 2007, this facility was converted into a short-term loan for a period of nine months from the date of conversion. This loan is subject to an interest rate of 3-months Libor plus 1.25% yearly, but not less than 6%.

In the cash flow statement, cash and cash equivalents include cash on hand, current accounts, and short term deposits and bank overdrafts as explained under Note 24(m).

6. Prepayments and other debit balances

Prepayments and other debit balances are composed of the following:

December 31,	**2006** US$	2005 US$
Advance payments to contractors (a)	8,417,396	7,302,639
Advances to employees	1,656,325	1,700,331
Accrued interest income	8,333,907	6,062,077
Prepaid expenses	2,482,895	517,362
Deferred tax assets (b)	1,945,160	193,264
Due from a shareholder in a joint venture (c)	-	5,270,000
Investment in non-consolidated subsidiaries (d)	-	161,026
Other debit balances (e)	5,417,714	4,564,668
	28,253,397	25,771,367

a. Advance payments to contractors include an amount of US$5,788,093 as of December 31, 2006 (US$6,211,679 as of December 31, 2005) relating to a contractor involved in the execution of the "Aswaq Beirut" project.

b. Deferred tax assets caption consists of the following:

December 31,	**2006** US$	2005 US$
Deferred tax assets on unrealized loss from the revaluation of interest rate swap agreement - note 12(e)	-	152,114
Deferred tax assets on unrealized loss from available-for-sale securities - note 8	-	41,150
Deferred tax assets on unrealized profits from sales to a joint venture	1,612,500	-
Deferred tax assets on cost of land sold - note 12	332,660	-
	1,945,160	193,264

c. Due from a shareholder in a joint venture represents 50% of a balance due from the other venturer, since as of December 31, 2005 the Company had contributed its full share in the Beirut Waterfront Development s.a.l., the joint venture entity, whereas the other venturer had not yet settled its full contribution. During the year 2006, the other venturer settled its full contribution.

d. Investments in non-consolidated subsidiaries are carried at cost as they are not material and consist of 9 inactive subsidiaries. The principal activity of these subsidiaries, which are incorporated in Lebanon, is to acquire, construct, lease and manage real estate properties in the BCD. During the year

ended December 31, 2006, the Company liquidated these subsidiaries.

e. Other debit balances include an amount of US$2,358,000 as of December 31, 2006 (US$2,358,000 as of December 31, 2005) representing a claim receivable in connection with an arbitration regarding a dispute with one of the Company's contractors as explained under Note 26 (j).

During the year 2006, the Company did not write-off any debit balances (US$159,033 were written off during the year 2005).

7. Accounts and notes receivable, net

Accounts and notes receivable are composed of the following:

December 31,	**2006** US$	2005 US$
Notes receivable	342,970,140	282,568,976
Accounts receivable	63,709,387	18,745,807
Receivables from tenants	5,945,936	5,936,288
Interest receivable on discounted notes	825,954	883,946
Less: unearned interest	(64,157,547)	(34,963,059)
Less: provision for problematic receivables	(351,320)	(351,320)
	348,942,550	272,820,638

The Company's credit risk exposure is spread over 107 counter-parties; 6 customers constitute 48% of the total exposure and 101 customers constitute the remaining 52% as of December 31, 2006 (as of December 31, 2005, 109 counter-parties; 6 customers constitute 50% of the total exposure and 103 customers constitute the remaining 50%).

Notes receivable, which resulted mainly from sales (and recuperations in previous years), carry the following maturities:

December 31,	**2006** US$	2005 US$
Doubtful balances	365,935	365,935
Overdue	878,141	4,247,835
2006	-	83,025,595
2007	180,001,959	79,029,806
2008	60,421,455	43,251,153
2009	51,433,966	33,925,664
2010	29,958,591	23,299,352
2011 and thereafter	19,910,093	15,423,636
	342,970,140	282,568,976

The average yield on accounts and notes receivable was 7.12% as of December 31, 2006 (5% as of December 31, 2005).

In previous years, provision for problematic receivables has been established to meet probable defaults of certain clients whose notes receivable aggregate to US$365,935 as of December 31, 2006 (US$365,935 as of December 31, 2005).

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

	2006 US$	2005 US$
Balance at the beginning of the year	351,320	221,932
Additions	-	200,660
Write-back of provision	-	(61,000)
Write-offs	-	(10,272)
Balance at the end of the year	**351,320**	351,320

8. Investment securities

During 2005 and 2006, the Company 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 Company has a legally enforceable right of set-off and the Company intends to settle them on a net basis at maturity. Coupon rates depend on certain conditions being satisfied which vary depending on the instrument, but mainly are related to the libor rate. The average yield on these investment securities amounted to 6.12% in 2006 (5.5% during year 2005).

The details of the above investments are as follows:

December 31,	2006							2005		
	Maturity Date	Book value US$	Leverage with right of set-off US$	Net value US$	Conditional coupon rate %	Interest on leverage	Fair market value US$	Book value US$	Leverage with right of set-off US$	Net value US$
Held-to-maturity										
USD spread callable range accrual note	23/02/2014	5,000,000	1,990,000	3,010,000	6.1	3ml + 0.75%	4,632,000	5,000,000	2,181,460	2,818,540
4 year CPU Multiplus On Asian indices	26/03/2008	2,000,000	2,075,000	(75,000)	6	1yl + 0.75%	2,508,000	2,000,000	2,000,000	-
10-year USD callable range accrual note[1]	8/12/2014	-	-	-	6.13	3ml + 0.75%	-	1,998,000	878,815	1,119,185
10-year USD "momentum" callable range accrual note	16/03/2015	2,995,500	1,509,716	1,485,784	6.65	3ml + 0.5%	2,536,500	2,995,500	2,935,500	60,000
		9,995,500	5,574,716	4,420,784			9,676,500	11,993,500	7,995,775	3,997,725
Available-for-sale										
7-year non-call 3 months Knock-out callable range note[2]	29/03/2012	3,000,000	803,711	2,196,289	5.6	3ml + 0.5%	2,856,900	3,000,000	793,285	2,206,715
7-year USD callable range accrual puttable note[2]	25/04/2016	2,688,000	740,000	1,948,000	6.2	3ml + 0.5%	2,876,700	2,997,000	807,600	2,189,400
7-year non-call 3 months knock-out callable range note[1,2]	29/03/2012	-	-	-	4.80	3ml + 0.5%	-	2,000,000	540,070	1,459,930
		5,688,000	1,543,711	4,144,289			5,733,600	7,997,000	2,140,955	5,856,045
Total investments in securities at net book value		**15,683,500**	**7,118,427**	8,565,073			**15,410,100**	19,990,500	10,136,730	9,853,770
Add/(less) change in fair value of available-for-sale securities				45,600						(274,330)
Investment securities				**8,610,673**						9,579,440

1. The investment was called by the issuer during the year ended December 31, 2006.
2. The Company has a put option to sell back the notes to the issuer at 100% provided certain conditions are met.

The change in fair market value of the available-for-sale securities is recorded under "Cumulative changes in fair value of available-for-sale securities" in equity net of deferred tax liability in the amount of US$6,840 as of December 31, 2006. (Net of deferred tax asset in the amount of US$41,150 as of December 31, 2005).

9. Inventory of land and projects in progress

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

December 31,	**2006** US$	2005 US$
Land and land development works, net (a)	1,270,422,013	1,361,823,140
Real estate development projects, net (b)	187,382,964	165,660,984
	1,457,804,977	1,527,484,124

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

December 31,	**2006** US$	2005 US$
Acquired properties (a.1)	959,007,210	959,007,209
Pre-acquisition costs (a.2)	9,412,801	9,412,802
Infrastructure costs (a.3)	638,602,752	620,490,858
Eviction costs (a.4)	260,068,716	259,962,995
Capitalized costs (a.5)	62,289,085	58,287,311
Cumulative costs	1,929,380,564	1,907,161,175
Less:		
Cost of land sold, net	(575,666,777)	(462,046,261)
Cost of land transferred to real estate development projects	(76,938,653)	(76,938,653)
Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
	1,270,422,013	1,361,823,140

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$133 million were not claimed for recuperation.

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

a.3 Infrastructure costs as at December 31, 2006 include an amount of US$279.4 million (US$279 million as of December 31, 2005) relating to the sea front defense and marina works, an amount of US$145 million (US$143 million as of December 31, 2005) relating to infrastructure works executed in the traditional BCD area, and an amount of US$78 million (US$74 million as of December 31, 2005) relating to the cost of land reclamation and treatment. It also includes the cost of an electricity power station in the amount of US$42 million (US$42 million as of December 31, 2005), and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$40.2 million up to December 31, 2006 (US$39.2 million up to December 31, 2005). During the year ended December 31, 2006, borrowing costs of US$0.98 million were capitalized (US$1.2 million for the year ended December 31, 2005).

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$21.8 million as of December 31, 2006 (US$21.8 million as of December 31, 2005) 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, 2006 amounted to US$3.9 million (US$3.8 million for the year ended December 31, 2005).

b. Real estate development projects include the following:

December 31,	**2006** US$	2005 US$
Construction and rehabilitation of buildings	347,067,525	325,733,826
Cost of land	77,326,934	76,938,653
Cumulative costs	424,394,459	402,672,479
Less:		
Cost transferred to investment properties, net	(174,705,279)	(174,705,279)
Cost transferred to fixed assets	(18,141,961)	(18,141,961)
Cost of real estate sold	(44,164,255)	(44,164,255)
	187,382,964	165,660,984

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$81.83 million (US$70.07 million as of December 31, 2005) and offices and residential complexes as of December 31, 2006.

An impairment loss of US$3,036,061 was recognized in the income statement during the year 2006 (US$1,685,783 million during the year 2005) that represents non-recoverable charges included in the cost of some of these properties.

10. Investment properties, net

Investment properties are composed of the following:

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

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

During the year ended December 31, 2006, the Company sold property having an aggregate net book value of US$695,472 for total proceeds of US$960,446 which resulted in a gain of US$264,974 recorded in the income statement (net book value of US$801,050, total proceeds of US$1,098,486 and gain of US$297,436 for the year ended December 31, 2005).

The fair value of the investment properties is estimated by management at around US$248 million based on current market prices (US$248 million as of December 31, 2005). There has been no valuation of these properties by an independent valuer.

Depreciation for investment properties in the amount of US$2,877,906 for the year 2006 (US$2,954,447 for year 2005) is recorded under "charges on rented properties" caption in the income statement.

11. Fixed assets, net

Fixed assets are composed of the following:

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

The depreciation for the year ended December 31, 2006 was split between an allocation to inventory of land and projects in progress and a charge to the income statement of US$818,291 and US$1,699,106, respectively (US$759,076 and US$1,432,625 respectively, for the year ended December 31, 2005).

12. Accounts payable and other liabilities

Accounts payable and other liabilities consist of the following:

December 31,	2006 US$	2005 US$
Accounts payable (a)	39,433,181	34,266,982
Accrued charges and other credit balances (b)	14,332,919	11,509,574
Taxes payable (c)	24,311,807	20,498,564
Provision for end-of-service indemnity and other charges (d)	4,463,259	3,658,217
Liability under interest rate swap agreement (e)	-	996,790
Deferred tax liability - note 8	6,840	-
Accrued interest payable	775,703	2,382,558
	83,323,709	73,312,685

a. Accounts payable as of December 31, 2006 and 2005 include balances in the aggregate amount of US$13.8 million due to the Lebanese Government in consideration of the exchange of assets agreement explained in Note 26(f).

b. Accrued charges and other credit balances as of December 31, 2006 and 2005 include an amount of US$8.5 million representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. The Company recognized a liability against the cash proceeds since the outcome of the subject arbitration is not yet certain Note 26(j).

c. Taxes payable consist of the following:

December 31,	2006 US$	2005 US$
Accrued income tax	21,188,055	17,174,870
Vat payable	-	872,818
Taxes withheld	962,182	412,414
Property tax payable	2,161,570	2,038,462
	24,311,807	20,498,564

The accrued income tax for year 2006 and 2005 was estimated as follows:

	2006 US$	2005 US$
Income before tax	153,200,020	125,703,068
Less: income/(losses) of subsidiaries	17,808	(11,717)
Non deductible provisions and charges	3,217,563	3,121,600
Rent revenue from built up property (net)	(13,997,186)	(14,313,819)
Taxable income	142,438,205	114,499,132
Applicable tax rate	15%	15%
Accrued income tax	21,365,731	17,174,870
Less: tax on interest previously settled	(177,676)	-
Accrued income tax payable	**21,188,055**	17,174,870
Accrued income tax	21,365,731	17,174,870
Less: deferred tax assets - note 6	(332,660)	-
Income tax expense	**21,033,071**	17,174,870

The applicable tax rate is 15% according to the Lebanese tax laws. The tax returns for the years 2003, 2004 and 2005 are still subject to examination and final tax assessment by the tax authorities. Any additional tax liability is subject to the results of this review.

Property tax payable in the amount of US$2.16 million as at December 31, 2006 is included under the caption "Charges on rented properties" in the income statement (US$2.04 million as at December 31, 2005).

The Company has provided for additional tax related to previous years in the amount of US$1,319,859 during the year ended December 31, 2006.

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

	2006 US$	2005 US$
Balance at the beginning of the year	3,658,217	3,300,801
Additions	837,921	515,000
Settlements	(32,879)	(157,584)
Balance at the end of the year	**4,463,259**	3,658,217

e. The Company has entered into an interest rate swap transaction to provide a cash flow hedge against upward volatility of the cost of funds related to the medium term borrowing referred to under Note 16.

On February 25, 2005, the Company restructured the long term loan of US$100 million and thereby restructured the 3 year interest rate swap agreement on a notional amount of US$100 million by replacing it by two new contracts in line with the restructuring of the loan.

The first contract extends for a period of two years effective December 20, 2004 for a notional amount of US$60 million for the first year, decreasing to US$40 million for the second year ending December 20, 2006. During the two year period of the agreement, the interest to be received is determined at 12-months Libor and the interest to be paid is set at 6.5%.

The second contract extends for a period of 18 months from April 21, 2005 till October 21, 2006 for a notional amount of US$40 million for the first 3 quarters. The notional amount decreases to US$30 million for the fourth quarter and then to US$20 million and US$10 million for the fifth and sixth quarters, respectively. During the term of the agreement interest to be received is determined at 3-months Libor set at the beginning of each quarter and the interest to be paid is set at a rate of 6.3%.

The Company settled US$1,032,364 included under "Interest expense" in the income statement for the year ended December 31, 2006 (US$2,623,267 for the year ended December 31, 2005).

As of December 31, 2005, the valuation of this derivative instrument as provided by the arranger bank on the basis of unwind or cancellation value of the transaction amounted to negative US$1,014,096. The change in fair value is recorded in equity under "Cumulative changes in fair value of interest rate swap agreement" net of deferred tax in the amount of US$152,114 as of December 31, 2005.

During the year 2006, the Company settled both loans subject to the two interest rate swap agreements. Accordingly, the swap transactions were derecognized and the change in fair value in the amount of US$1,014,096 was reversed to liability under interest rate swap agreement and deferred tax in the amount of US$152,114.

13. Dividends payable

The breakdown of dividends payable is summarized as follows:

General Assembly Date	Dividend per share US$	Declared US$	Settled up to Dec 31, 2006 US$	Dec. 31, 2006 Payable US$	Dec. 31, 2005 Payable US$
June 29, 1996	0.20	30,918,413	28,997,444	1,920,969	2,135,676
June 30, 1997	0.25	40,367,172	37,032,819	3,334,353	3,602,727
June 29, 1998	0.25	39,351,753	35,238,008	4,113,745	4,491,702
June 23, 2003	stock dividend	-	-	27,485	36,602
June 12, 2006	0.06	98,831,106	73,349,946	21,481,160	-
				30,877,712	10,266,707

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

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

14. Deferred revenues and other credit balances

Deferred revenues and other credit balances consist of the following:

December 31,	2006 US$	2005 US$
Cash down payments and commitments on sale contracts	154,763,757	41,654,460
Deferred rental revenue and related deposits	13,542,036	13,444,966
	168,305,793	55,099,426

Cash down payments and commitments on sale contracts include balances aggregating to approximately US$143.5 million that relate to 15 sale contracts with an aggregate potential gross sales value of US$1.034 million as of December 31, 2006 (US$33.4 million relating to 10 sale contracts with an aggregate potential gross sale value of US$543.5 million as of December 31, 2005). This caption also includes down payments totaling US$1.9 million (US$1.7 million as of December 31, 2005) on sale of units in the shopping mall project corresponding to a potential gross sales value of US$33 million.

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

15. Deferred credits

Deferred credits represent put options on treasury shares which are classified as interest bearing liabilities.

a. The Company sold on February 24, 2003, 600,000 shares (360,000 "A" shares and 240,000 "B" shares) from treasury shares with a sale back option for a total consideration of US$3.9 million at US$6.50 per share. The sale back option can be exercised at a strike price of US$7.61 per share after 3 years subject to certain conditions specified in the sale contract. The

strike price represents the selling price plus accumulated interest. Until such time as the Company's commitment to buy back these shares lapsed, the proceeds were reflected as deferred credits.

The buyer did not exercise the option to sell back the shares during the specified period, and accordingly acquired the shares subject of the contract referred to above during the first quarter of 2006. As a result, the Company derecognized these treasury shares from its portfolio against the consideration previously received, in the amount of US$3.9 million classified under "Deferred credits" and interest in the amount of US$666,000 classified under "Accrued interest payable" caption.

b. The Company sold on April 3, 2002 to a local financial institution, 1,004,004 shares (607,212 "A" shares and 396,792 "B" shares) from treasury shares with a sale back option for a total consideration of US$6,011,930 at US$6 per share, which includes an option premium of $0.987 per share. The sale back option can be exercised at a strike price of US$7.10 per share for a period not exceeding 3 years subject to certain conditions specified in the sale contracts. The strike price represents the selling price plus accumulated interest. Until such time as the Company's commitment to buy back these shares lapsed, the proceeds were reflected as deferred credits.

The buyer did not exercise the option to sell back the shares during the specified period ending March 2005 and therefore the buyer retained the above mentioned shares. As a result, the Company derecognized these treasury shares from its books against deferred credits in the amount of US$6,011,930, previously received, and accrued interest payable in the amount of US$1,116,498.

c. The Company sold on june 27, 2003 to a local financial institution, 4,000,000 shares (2,600,000 "A" shares and 1,400,000 "B" shares) from treasury shares with a sale back option for a total consideration of US$26 million at US$6.50 per share. The sale back option can be exercised at a strike price of US$7.63 per share in the period starting on January 1, 2005 and ending on December 14, 2005, to be paid after one year from this date, subject to certain conditions specified in the sale contract. The strike price represents the selling price plus accumulated interest. In parallel, the Company also had a buy back option at the same strike price. Until such time as the Company's commitment to buy back these shares lapsed, the proceeds were reflected as deferred credits.

On June 14, 2005, the Company exercised the option to buy back these shares. Contrary to what was originally agreed upon, the purchase price of 2,000,000 shares out of the aggregate shares was set at US$7.52 instead of US$7.63 per share, settled during the first half of the year 2005. The Company subsequently sold these shares for a total consideration of US$18,000,000 during the same period. The ownership of the remaining 2,000,000 shares was transferred to the Company on December 14, 2005 and the purchase price of US$15,260,000 was paid on the same date with offset to deferred credits in the amount of US$13,000,000 and accounts payable and other liabilities in the amount of US$2,260,000 representing interest accrued up to December 14, 2005.

d. On June 3, 2005, the Company signed a contract with a third party effective December 15, 2005 to sell with a conditional sale back option, 2,000,000 shares from its portfolio for a total consideration of US$20,600,000 at US$10.3 per share. The sale back option can be exercised at a strike price of US$11.44 per share during the period ending December 14, 2007. The buyer did not abide with the related terms and conditions of the sale back option contract and as a result the Company derecognized both the liability and the treasury shares from its balance sheet. The gain on the sale of the treasury shares in the amount of US$2,950,800 was reflected net of tax in the amount of US$442,620 under "Surplus on sale of treasury shares" under equity.

16. Loans from banks and financial institutions

This caption consists of the following:

December 31,	2006 US$	2005 US$
Syndicated local bank loans	-	40,000,000
Local bank loan	-	40,000,000
"coface" guaranteed loan	15,327,428	30,654,857
Syndicated loan	-	2,314,821
Local bank loan	5,000,000	7,000,000
Loan guaranteed by export - import bank of the united states	6,735,272	9,429,381
	27,062,700	129,399,059

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

December 31,	2006 US$	2005 US$
2006	-	82,336,358
2007	20,021,537	40,021,537
2008	4,694,109	4,694,109
2009	2,347,054	2,347,055
	27,062,700	129,399,059

Syndicated local bank loans
The Company entered on December 10, 2004 into a 3 year loan agreement with a syndicate of banks for an amount of US$60 million to reschedule an old loan in the amount of US$100 million. The loan is payable by 3 yearly installments of US$20 million on December 20, of each year. This loan is subject to an annual interest rate of 12 months Libor + 2.75% payable yearly.

The Company settled the above loan on March 31, 2006.

Local bank loan
The Company entered on December 20, 2004 into an 18 months loan agreement with a local bank for an amount of US$60 million payable through 6 quarterly installments in the amount of US$10 million each, starting July 2, 2005. This loan is subject to an annual interest rate of 3 months Libor + 2.5%, payable quarterly upon the maturity of the installments. The total amount of this loan was withdrawn on April 21, 2005.

The Company settled the above loan on February 28, 2006.

"COFACE" guaranteed loan
For the purpose of partially financing the sea front defense works, the Company signed in 1996 a 10 year "COFACE" guaranteed loan agreement for an amount of US$107.3 million of which US$7.3 million represents a guarantee premium. This loan, which was fully drawn, is scheduled for settlement starting February 2001 through 14 semi annual payments in the amount of US$7.66 million each. The loan is subject to an interest rate of 7.39% per annum payable semi annually starting August 1998. The Company withdrew the total amount of the loan, and total settlements up to December 31, 2006 amounted to US$91.98 million (US$76.66 million up to December 31, 2005). Under the terms of the loan contract, the Company is required to maintain a pledged deposit of US$23.6 million with the lending bank starting from the date of the first withdrawal. The pledged deposit was subsequently reduced in 2004 to US$18.5 million and to US$16.7 million in 2006. Moreover, the Company is required to maintain a debt to equity ratio of no more than 20% and to maintain a minimum balance of US$53.6 million of cash and cash equivalents (as defined by the lending bank).

For the purpose of partially financing the waste treatment project with a total cost in the amount of approximately US$53 million, the following loan agreements were signed by the Company:

Syndicated loan
On March 21, 2000 the Company signed a 6 year loan agreement with a syndicate of banks for an amount of US$22 million. The period in which this loan could be withdrawn ended on December 29, 2002. Total withdrawals up to December 31, 2005 and 2004 amounted to US$20.26 million. This loan will be repaid by one installment in the amount of US$1.74 million and eight equal semi-annual installments. The loan was fully settled as at December 31, 2006, (US$17.95 million were settled as of December 31, 2005). This loan is subject to an annual interest rate of 3 months Libor plus 4%. According to the covenants of this loan agreement, the Company is required to maintain a debt to equity ratio not greater than 25%, maintain tangible assets of a minimum of US$1 billion and maintain accounts and notes receivable of not less than US$75 million free from any liens, assignments or similar charges. In addition to that, the Company should maintain the number of treasury shares below 11,610,000 shares.

Local bank loan
In July 2001, a complementary loan agreement in the amount of US$10 million 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$2 million was made during 2006 in addition to settlements aggregating to US$3 million during 2005 and 2004 and thus the balance of the loan decreased to US$5 million as of December 31, 2006. The loan is subject to an annual interest rate of 3 months Libor plus 1%. The Company shall maintain a pledged fund of not less than 102% of all outstanding principal and interest amounts, and should maintain a debt to equity ratio not exceeding 25% and total tangible net assets should not be less than US$1 billion free from any liens including permitted liens.

Loan guaranteed by Export - Import Bank of the United States
In July 2001, the Company signed an "Export Financing Credit Agreement" for the amount of US$14.71 million 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$13.47 million had been drawn up to December 31, 2004. Subsequent to that date, the Company 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$2.7 million was made during 2006 in addition to installments amounting to US$4.05 million during 2004 and 2005 and thus the balance of the loan decreased to US$6.73 million as at December 31, 2006. 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$3.57 million was submitted to the Export-Import Bank of the United States. Moreover, the Company is required to maintain a minimum balance of cash and cash equivalents of US$30 million and the treasury shares should not exceed 10,131,829 shares or the equivalent of US$76 million in aggregate value. In this respect, the number of treasury shares amounted to 9,533,318 shares with an aggregate value of US$162,663,803 as at December 31, 2006.

17. Capital

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

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

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

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

As of December 31, 2006, the Company had 12,926,898 "A" shares listed on the London Stock Exchange in the form of Global Depository Receipts (GDR) (10,191,750 "A" shares as of December 31, 2005).

18. Legal Reserve

In conformity with the Company's articles of incorporation and the Lebanese Code of Commerce, 10 % of 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.

19. Treasury Shares

This caption includes 9,533,318 shares class (A) and (B) as of December 31, 2006 (4,342,000 shares as of December 31, 2005, of which 600,000 shares are subject to an option).

The treasury shares outstanding as of December 31, 2006 and December 31, 2005 were stated at the weighted average cost.

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

As of December 31, 2006, this caption includes 3,685,000 shares that were acquired from sale of properties (3,685,000 shares as of December 31, 2005).

This caption also includes 600,000 shares as of December 31, 2005 that are subject to a sale back option. The buyer did not exercise the option to sell back the shares during the specified period, therefore, the buyer retained the shares during the first quarter of year 2006 (Note 15).

20. Charges on rented properties

Charges on rented properties includes the following:

Year ended December 31,	**2006** US$	2005 US$
Depreciation expense	2,877,906	2,954,447
Property taxes	2,165,750	2,038,462
Maintenance and other related expenses, net	1,413,927	1,486,649
	6,457,583	6,479,558

21. General and administrative expenses

General and administrative expenses is composed of the following:

Year ended December 31,	**2006** US$	2005 US$
Salaries, benefits and related charges	9,408,373	7,201,368
Board of directors' remuneration	144,000	144,000
Administrative expenses	4,752,427	4,147,663
	14,304,800	11,493,031

The Company reallocated salaries, benefits and related charges and administrative expenses amounting to US$3.9 million to construction cost during the year ended December 31, 2006 (US$3.8 million during the year ended December 31, 2005).

22. Interest income

Interest income is comprised of the following:

Year ended December 31,	**2006** US$	2005 US$
Interest income from notes and accounts receivable	22,355,270	12,570,326
Interest income from banks	4,856,417	3,043,998
	27,211,687	15,614,324

23. 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 Company.

The weighted average number of shares to compute basic and diluted earnings per share is 157,817,134 shares for year 2006 (158,143,126 shares for year 2005).

24. 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:

Year ended December 31,	**2006** US$	2005 US$
Non-cash transfer of shares against recuperated properties	(52,701)	(182,300)
Decrease in receivables from recuperated properties	(360,299)	(616,703)
	(413,000)	(799,003)

b. Depreciation was applied as follows:

Year ended December 31,	**2006** US$	2005 US$
Depreciation of fixed assets - note 11	2,517,397	2,191,756
Depreciation of investment properties - note 10	2,877,906	2,954,446
Less:Depreciation allocated to inventory of land and projects in progress - note 9	(818,291)	(759,076)
Depreciation charge for the year	**4,577,012**	4,387,126

c. Interest expense consists of the following:

Year ended December 31,	**2006** US$	2005 US$
Interest charged as period cost	7,173,307	17,490,405
Interest expense allocated to inventory of land and projects in progress - note 9	980,207	1,202,293
Total interest expense	**8,153,514**	**18,692,698**

d. Non-cash transactions in operating and financing activities include the effect of the non-exercise of the option to sell back treasury shares from a local bank to the Company (Note 15). Non-cash transactions in operating and financing activities also include the exercise of an option to buy treasury shares from a local bank against an amount of US$13,000,000 from deferred credits and US$1,116,498 from accounts payable and other liabilities (Note 15).

e. Non-cash transactions in operating and investing activities do not include sales of built up area against acquisition of treasury shares for the year ended December 31, 2006 (US$6,360,898 for the year ended December 31, 2005).

f. Non-cash transactions in investing activities do not include a transfer from investment properties to fixed assets for the year ended December 31, 2006 (US$2,224,148 for the year ended December 31, 2005).

g. Non-cash transactions in operating and investing activities do not include a transfer from inventory of land and projects in progress to investment properties for the year ended December 31, 2006 (US$6,046,341 for the year ended December 31, 2005).

h. Non-cash transactions in operating and investing activities do not include a transfer from inventory of land and projects in progress to fixed assets for the year ended December 31, 2006 (US$39,244 for the year ended December 31, 2005).

i. Non-cash transactions in investing activities do not include transfers from fixed assets to investment properties for the year ended December 31, 2006 (US$1,072,697 for the year ended December 31, 2005).

j. Non-cash transactions in financing activities do not include the effect of markup of treasury shares for the year ended December 31, 2006 (US$5,027,346 for the year ended December 31, 2005).

k. Non-cash transactions in investing activities include the effect of change in fair value of available-for-sale securities in the amount of US$45,600 offset against "Cumulative change in fair value of available-for-sale securities" and "Accounts payable and other liabilities" in the amount of US$38,760 and US$6,840, respectively, for the year ended December 31, 2006 (US$274,330 offset against "Cumulative change in fair value of available-for-sale securities" and "Prepayments other debit balances" in the amount of US$233,180 and US$41,150, respectively for the year ended December 31, 2005).

l. Non-cash transactions in financing activities include fractions and options dividends in the amount of US$200,500 transferred from dividends paid during the year ended December 31, 2005.

m. Cash and cash equivalents comprise of the following:

Year ended December 31,	**2006** US$	2005 US$
Cash	98,749	93,902
Current accounts	19,515,034	20,446,999
Short term deposits	60,968,438	61,508,824
Bank overdrafts	(48,362,001)	(10,020,182)
	32,220,220	72,029,543

25. Related party transactions

These represent transactions with related parties, i.e. significant shareholders, directors and senior management of the Company, 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 Company's management.

Cash and bank balances include US$2,025,167 as of December 31, 2006 (US$139,692 as of December 31, 2005) representing current bank accounts with a local bank who is a significant but minority shareholder of the Company.

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

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

General and administrative expenses include legal fees in the amount of US$150,000 for the year ended December 31, 2006 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, 2005).

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, 2006 amounted to US$2,021,521 (US$1,431,500 for the year ended December 31, 2005).

26. 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$2 billion. 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, 2006 amounted to approximately US$118.3 million (US$111.4 million as of December 31, 2005).

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

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

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

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

g. In prior periods, the Company submitted to the Ministry of Culture and Higher Education claims totaling US$17.7 million 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 consolidated financial statements.

h. The Company has as a stand-by letter of credit in the amount of US$3,566,993 to be gradually decreased starting june 2007 to reach US$3,035,622 in June 2011. This instrument is issued in guarantee of the US$14.7 million US Export Import Bank of the United States facility amounting to US$6.74 million as of December 31, 2006 (US$9.43 million as of December 31, 2005). Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral (Note 5).

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

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

The Company recorded a receivable in the amount of US$2,358,000 in the accompanying consolidated financial statements which remains uncollected.

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

During 2005 and early 2006, both the Company and the contractor filed counter arbitrations against each others that are still pending as at December 31, 2006.

No assessment was set at this early stage concerning the probable basis of any financial settlement that might result of the claims in these arbitrations.

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

27. Financial instruments

a. Fair values of financial assets and liabilities
The carrying book value of financial assets and liabilities are not materially different from their fair values applicable at the balance sheet date.

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

The Company trades mostly with recognized, credit worthy third parties and in addition receivable balances are monitored on an ongoing basis. It is the Company's policy to mortgage sold properties as collateral until the full settlement of receivables.

The Company's credit risk exposure is spread over 107 counter-parties; 6 customers constitute 48% of the total exposure and 101 customers constitute the remaining 52%.

c. Interest rate risk
The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest earning assets and interest bearing liabilities primarily relating to long term debt obligations with a floating interest rate.

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

28. Key sources of estimation uncertainty

For the preparation of financial statements in accordance with International Financial Reporting Standards, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities at the balance sheet date and revenues and expenses during the year. The most significant estimate made by the Company 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$63,709,387 and US$342,970,140 respectively, and the provision for doubtful debts amounted to US$351,320 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.

29. Approval of financial statements

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2006, on March 29, 2007.