INDEPENDENT AUDITORS' REPORT

Deloitte.

ERNST & YOUNG

To the shareholders
The Lebanese Company for the Development
and Reconstruction of Beirut Central District S.A.L.
Beirut - Lebanon

We have audited the accompanying consolidated balance sheet of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (a Lebanese joint stock company) known as SOLIDERE and its interest in joint venture, (the Company), as of December 31, 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its interest in joint venture as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 15, 2006

Deloitte & Touche

Deloitte & Touche

Ernst & Young

Ernst & Young

CONSOLIDATED BALANCE SHEET

December 31,	Notes	2005 US$	2004 US$
Assets			
Cash and bank balances	4	111,535,548	115,933,035
Prepayments and other debit balances	5	25,771,367	15,740,225
Accounts and notes receivable, net	6	272,820,638	210,894,461
Investments in securities	7	9,579,440	3,650,907
Properties held for development and sale, net	8	1,527,484,124	1,607,296,508
Investment properties, net	9	160,487,428	158,720,275
Fixed assets, net	10	19,477,370	18,748,885
Total Assets		**2,127,155,915**	**2,130,984,296**
Liabilities			
Bank overdrafts	4	10,020,182	10,596,118
Accounts payable and other liabilities	11	73,312,685	82,060,356
Dividends payable	12	10,266,707	11,430,866
Deferred revenues and other credit balances	13	55,099,426	61,583,981
Deferred credits	14	3,900,000	35,911,930
Loans from banks and financial institutions	15	129,399,059	234,050,237
Total Liabilities		**281,998,059**	**435,633,488**
Shareholders' Equity			
Issued capital at par value US$10 per share:	16		
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	17	46,717,354	35,864,534
Retained earnings		87,892,299	34,183,162
Cumulative changes in fair value of interest rate swap agreement	11	(861,982)	(3,557,815)
Cumulative changes in fair value of available-for-sale securities	7	(233,180)	-
Surplus on sale of treasury shares	14	2,508,180	-
Net income for the year less legal reserve		97,675,378	48,681,791
Less: Treasury shares	12 & 18	(38,540,193)	(69,820,864)
Total Shareholders' Equity		**1,845,157,856**	**1,695,350,808**
Total Liabilities and Shareholders' Equity		**2,127,155,915**	**2,130,984,296**

The accompanying notes form an integral part of these statements

CONSOLIDATED STATEMENT OF INCOME

December 31,	Notes	2005 US$	2004 US$
Revenues from land and real estate sales		235,256,243	174,523,834
Revenues from rented properties		20,793,378	18,612,382
Cost of land and real estate sales		(107,378,218)	(92,001,530)
Charges on rented properties	19	(6,479,558)	(7,092,861)
Gain on sale of investment properties	9	297,436	1,695,723
Net revenues from operations		**142,489,281**	**95,737,548**
General and administrative expenses	20	(11,493,031)	(10,130,652)
Depreciation		(1,432,625)	(1,130,781)
Provision for doubtful receivables and write-offs	5 & 6	(298,693)	(739,083)
Impairment loss on properties held for development and sale	8	(1,685,783)	-
Provision for contingencies and other charges		-	(1,820,362)
Interest income	21	15,614,324	8,344,243
Interest expense		(17,490,405)	(26,045,835)
Net income for the year before income tax		**125,703,068**	**64,215,078**
Accrued income tax	11	(17,174,870)	(10,122,897)
Net income for the year		**108,528,198**	**54,092,181**
Basic earnings per share	22	**0.6863**	**0.3400**

The accompanying notes form an integral part of these statements

CONSOLIDATED STATEMENT OF CASH FLOWS

December 31,	Notes	2005 US$	2004 US$
Cash flows from operating activities			
Net income for the year before income tax		125,703,068	64,215,078
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	23	4,387,126	4,016,561
Gain on sale of investment properties	9	(297,436)	(1,695,723)
Provision for doubtful receivables and write offs	6	298,693	739,083
Provision for contingencies and other charges	11(d)	515,000	1,820,362
Sale transactions against acquisition of treasury shares	23	6,360,898	18,273,003
Loss from cancellation of sales		-	6,000,000
Interest income	21	(15,614,324)	(8,344,244)
Interest expense	23	18,692,698	27,192,664
Changes in working capital			
Prepayments and other debit balances		(5,547,336)	3,700,073
Accounts and notes receivable	23	(62,864,840)	(26,846,226)
Properties held for development and sale	23	74,485,876	26,575,960
Accounts payable and other liabilities	23	(27,044,859)	1,546,916
Deferred revenues and other credit balances	23	(6,484,555)	48,953,635
Interest received		9,552,249	1,363,042
Income tax paid		(10,122,897)	-
Net cash provided by operating activities		112,019,361	167,510,184
Cash flows from investing activities			
Pledged term deposits with banks		1,761,170	12,538,342
Investments in securities	23	(6,202,863)	(3,650,907)
Receivable from recuperated properties	23	981,303	327,206
Proceeds from sale of fixed assets		28,202	-
Proceeds from sale of investment properties	9	1,098,486	11,084,658
Acquisition of fixed assets	23	(1,757,748)	(1,021,691)
Acquisition of investment properties	9	(627,759)	(3,323,760)
Net cash (used in)/provided by investing activities		(4,719,209)	15,953,848
Cash flows from financing activities			
Bank loans (settlement)		(104,651,178)	(85,517,758)
Dividends paid	12	(963,659)	(736,022)
Deferred credits		(13,000,000)	-
Treasury shares	23	4,786,691	(49,006,387)
Proceeds from sales of treasury shares	14	20,600,000	-
Interest paid		(16,132,387)	(20,028,942)
Net cash used in financing activities		(109,360,533)	(155,289,109)
Net change in cash and cash equivalents		(2,060,381)	28,174,923
Cash and cash equivalents — Beginning of the year		74,089,924	45,915,001
Cash and cash equivalents — End of the year	**23**	**72,029,543**	**74,089,924**

The accompanying notes form an integral part of these statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' 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$	Net Income for the Year Less Legal Reserve US$	Total US$
Balance at December 31, 2003	1,650,000,000	30,454,144	(28,404,386)	540,661	(6,452,074)	-	-	16,431,956	1,662,570,301
Net income for the year	-	-	-	-	-	-	-	54,092,181	54,092,181
Change in fair value of interest rate swap agreement	-	-	-	-	2,894,259	-	-	-	2,894,259
Total result of the year	-	-	-	-	2,894,259	-	-	54,092,181	56,986,440
Allocation of 2003 profit	-	-	-	16,431,956	-	-	-	(16,431,956)	-
Allocation to legal reserve from 2004 net income	-	5,410,390	-	-	-	-	-	(5,410,390)	-
Effect of mark up of treasury shares	-	-	(17,210,545)	17,210,545	-	-	-	-	-
Treasury shares trade and land sale exchange (net)	-	-	(24,205,933)	-	-	-	-	-	(24,205,933)
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
Net income for the year	-	-	-	-	-	-	-	108,528,198	108,528,198
Change in fair value of interest rate swap agreement	-	-	-	-	2,695,833	-	-	-	2,695,833
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 net income	-	-	-	48,681,791-	-	-	-	(48,681,791)	-
Allocation to legal reserve from 2005 net 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**

The accompanying notes form an integral part of these statements

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

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.

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's shares are listed on the Beirut stock exchange and Global Depository Shares (GDS) 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 financial statements have been prepared in accordance with International Financial Reporting Standards.

These financial statements relate to Solidere and its interest of 50% of the results and net equity of the joint venture, Beirut Waterfront Development S.A.L.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of 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 statement of income.

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

D. Investments in Securities

All investments in securities are initially recognized at cost, being the fair value of the consideration given including directly attributable transaction costs.

Held-to-Maturity Securities

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. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

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 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 statement of income.

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 option pricing models.

E. 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.

F. Properties Held for Development and Sale

Properties held for development and sale 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.

G. 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%
Marina	2%

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.

H. Interest in a joint venture

The Company has an interest in a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

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.

I. 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%
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.

J. 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 are recorded and carried at their reacquisition cost.

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 shareholders' equity, losses are charged to retained earnings if the surplus account does not have a balance enough to absorb the loss.

K. 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 accrued on a time basis, by reference to the principal outstanding and the applicable interest rate.

L. 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.

M. 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.

N. 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 statement of income in the period in which they are incurred.

O. 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 profits 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.

P. 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 statement of income because it excludes items of income or expense that are taxable or deductible in future years and it further excludes items that are never taxable or deductible. The 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.

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

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.

Q. 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.

R. 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.

S. Use of Estimates
In preparing the financial statements in conformity with International Financial Reporting Standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. The most significant estimate relates to the estimated total cost of the BCD project.

3. Interest in a Joint Venture

The Company entered into a joint venture agreement on February 11, 2004, with Stow Waterfont S.A.L. (Holding) to establish Beirut Waterfront Development S.A.L. with a 50% stake in the joint venture's total capital amounting to US$19,900. The main activity of the joint venture is to develop, operate, manage, exploit and sell real estate properties in the Marina area in Beirut Central District.

As per the terms of the agreement, on December 31, 2005, the Company sold properties to the joint venture with an aggregate cost of US$10,100,000 from properties held for development and sale, to joint venture for a total consideration of US$31,600,000. The other venturer will contribute cash of US$31,600,000 to the joint venture. As of December 31, 2005, the amount contributed by the other venturer amounted to US$21,060,000.

The share of the assets, liabilities, income and expenses of the jointly controlled entity at December 31, 2005 and 2004, which are included in the consolidated financial statements, are as follows:

December 31,	2005 US$	2004 US$
Assets		
Cash and bank balances	9,282,897	4,214,439
Prepayments and other debit balances	17,493	25,397
Properties held for development and sales	6,344,896	975,033
Fixed assets, net	66,700	65,328
	15,711,986	5,280,197
Liabilities		
Bank overdrafts	2,089	-
Accounts payable and other liabilities	60,353	5,281,964
	62,442	5,281,964

Income and Expenses	Year Ended December 31, 2005 US$	Period from April 21, 2004 (Establishment Date) December 31, 2004 US$
General and administrative expenses	(121,658)	(73,180)
Depreciation	(8,600)	(1,422)
Interest income	212,086	62,885
Net income for the year before income tax	81,828	(11,717)
Accrued income tax	(10,517)	-
Net income/(loss) for the year/period	71,311	(11,717)

4. Cash and Bank Balances

Cash and bank balances are composed of the following:

December 31,	2005 US$	2004 US$
Cash on hand	93,902	95,513
Current accounts	20,446,999	45,917,144
Short term deposits	61,508,824	38,673,385
	82,049,725	84,686,042
Pledged term deposits	29,485,823	31,246,993
	111,535,548	115,933,035

Term deposits mature in January 2006 (December 31, 2004: Term deposits mature in January 2005). The average yield on the term deposits as of December 31, 2005 was approximately 4.68% (4.43% for 2004).

Pledged term deposits include an amount of US$18.5million as of December 31, 2005 (US$18.5million as of December 31, 2004) pledged against the loan provided to the Company and guaranteed by "COFACE" as explained in Note 15. It also includes deposits of US$10.9million (US$12.8million as of December 31, 2004) pledged against a stand-by letter of credit to the extent of about US$3.5million (US$3.5million as of December 31, 2004) and a deposit pledged against a local bank loan to the extent of US$7.4million (US$9.2million as of December 31, 2004) as explained under Note 15 and Note 25 (h).

Bank overdrafts in the amount of US$10,018,093 as at December 31, 2005 represent short-term facilities granted by local banks. The average interest on these overdrafts as of December 31, 2005 was approximately 6.86%.

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 23(n).

5. Prepayments and Other Debit Balances

Prepayments and other debit balances are composed of the following:

December 31,	**2005 US$**	2004 US$
Accrued interest income	6,062,077	6,981,201
Due from joint venture shareholder	5,270,000	-
Prepaid expenses	517,362	419,148
Advance payments to contractors	7,302,639	1,585,821
Advances to employees	1,700,331	1,651,234
Deferred tax assets	193,264	-
Other debit balances	4,564,668	4,941,795
Investment in non-consolidated subsidiaries	161,026	161,026
	25,771,367	15,740,225

Due from joint venture shareholder represents 50% of a balance due from the other venturer, since as of December 31, 2005 the Company has contributed its full share in the Beirut Waterfront Development S.A.L. the joint venture entity, whereas the other venturer has not yet settled its full contribution.

Advance payments to contractors include an amount of US$6,211,679 relating to a contractor involved in the execution of the "Souk" Project.

Other debit balances include an amount of US$2,358,000 representing a claim receivable in connection with an arbitration regarding a dispute with one of the Company's contractors as explained under Note 25 (j).

Investments in non-consolidated subsidiaries are carried at cost as they are not material and consist of 9 inactive subsidiaries (9 inactive subsidiaries in 2004). 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, 2005, the Company wrote-off irrecoverable debit balances amounting to US$159,033 (Nil for the year ended December 31, 2004).

6. Accounts and Notes Receivable, Net

Accounts and notes receivable are composed of the following:

December 31,	**2005 US$**	2004 US$
Notes receivable	282,568,976	208,680,815
Accounts receivable	18,745,807	25,555,779
Receivables from tenants	5,936,288	2,285,503
Interest receivable on discounted notes	883,946	1,395,039
Less: Unearned interest	(34,963,059)	(26,800,743)
Less: Provision for problematic receivables	(351,320)	(221,932)
	272,820,638	210,894,461

The Company's credit risk exposure is spread over 109 counter-parties; 6 customers constitute 50% of the total exposure and 103 customers constitute the remaining 50% as of December 31, 2005 (as of December 31, 2004, 89 counter-parties; 6 customers constitute 48% of the total exposure and 83 customers constitute the remaining 52%).

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

December 31,	**2005 US$**	2004 US$
Doubtful balances	365,935	349,560
Overdue	4,247,835	1,512,002
2005	-	64,120,301
2006	83,025,595	50,937,123
2007	79,029,806	44,719,734
2008	43,251,153	17,527,924
2009	33,925,664	12,247,719
2010	23,299,352	12,964,670
2011 and thereafter	15,423,636	4,301,782
	282,568,976	208,680,815

The average yield on accounts and notes receivable was 5.87% as of December 31, 2005 (5.17% as of December 31, 2004).

The 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, 2005 (US$349,560 as of December 31, 2004

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

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

December 31,	2005 US$	2004 US$
Balance at the beginning of the year	221,932	4,336,110
Additions	200,660	221,932
Write-back of provision	(61,000)	-
Write-offs	(10,272)	(4,336,110)
Balance at the end of the year	351,320	221,932

During the year ended December 31, 2005, the Company wrote-off accounts and notes receivable amounting to nil (US$517,151 for the year ended December 31, 2004).

7. Investments in Securities

During 2004 and 2005, 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 is related to the Libor rate. This portfolio has yielded income of 9% in 2005.

The details of the above investments are as follows:

	December 31, 2005							December 31, 2004		
	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	2,181,460	2,818,540	6.1	3ML[2] + 0.75%	4,540,000	5,000,000	2,344,093	2,655,907
10-year USD Callable Range Accrual Note[1]	8/01/2014	-	-	-	6.13	3ML[2] + 0.75%	-	2,000,000	1,000,000	1,000,000
10-year USD Libor Callable Range Accrual Note[1]	12/11/2014	-	-	-	7.5	6ML[2] + 0.5%	-	1,000,000	1,005,000	(5,000)
4 year CPU MULTIPLUS on Asian Indices	26/03/2008	2,000,000	2,000,000	-	6	1YL[2] + 0.75%	2,109,400	2,000,000	2,000,000	-
10-year USD Callable Range Accrual Note	8/12/2014	1,998,000	878,815	1,119,185	6-13	3ML[2] + 0.75%	1,934,800	-	-	-
10-year USD "Momentum" Callable Range Accrual Note	16/03/2015	2,995,500	2,935,500	60,000	6.65	3ML[2] + 0.5%	2,725,500	-	-	-
		11,993,500	7,995,775	3,997,725			11,309,700	10,000,000	6,349,093	3,650,907
Available-for-sale										
7-year Non-Call 3 month Knock-out Callable Range Note[3]	29/03/2012	3,000,000	793,285	2,206,715	5.6	3ML[2] + 0.5%	2,882,910	-	-	-
7-year USD Callable Range Accrual Puttable Note[3]	29/03/2012	2,997,000	807,600	2,189,400	6.2	3ML[2] + 0.5%	2,877,900	-	-	-
7-year Non-Call 3 month Knock-out Callable Range Note[3]	29/03/2012	2,000,000	540,070	1,459,930	4.80	3ML[2] + 0.5%	1,961,860	-	-	-
		7,997,000	2,140,955	5,856,045			7,722,670	-	-	-
Total investments in securities at net book value		19,990,500	10,136,730	9,853,770			19,032,370	10,000,000	6,349,093	3,650,907
Less										
Change in fair value of available-for -sale securities				(274,330)						
Investments in securities				9,579,440						

1. The investment was called by the issuer during the year ended December 31, 2005.
2. L = Libor
3. 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 shareholders' equity net of deferred tax in the amount of US$41,150 as of December 31, 2005.

8. Properties Held for Development and Sale, Net

Properties held for development and sale consist of the following captions:

December 31,	2005 US$	2004 US$
Land and land development works, net (a)	1,361,823,140	1,458,555,993
Real estate development projects, net (b)	165,660,984	148,740,515
	1,527,484,124	1,607,296,508

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

December 31,	2005 US$	2004 US$
Acquired properties (a.1)	959,007,209	957,290,502
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	620,490,858	609,496,262
Eviction costs (a.4)	259,962,995	259,962,995
Capitalized costs (a.5)	58,287,311	55,371,924
Cumulative costs	1,907,161,175	1,891,534,485
Less: Cost of land sold, net	(462,046,261)	(356,800,726)
Less: Cost of land transferred to real estate development projects	(76,938,653)	(71,888,653)
Less: Cost of infrastructure transferred to real estate development projects	(6,353,121)	(4,289,113)
	1,361,823,140	1,458,555,993

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

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

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

a.3 Infrastructure costs as at December 31, 2005 include an amount of US$279million (US$279million as of December 31, 2004) relating to the sea front defense and marina works, an amount of US$143million (US$141million as of December 31, 2004) relating to infrastructure works executed in the traditional BCD area, and an amount of US$74million (US$72million as of December 31, 2004) 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, 2004), and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$39.2million up to December 31, 2005 (US$37.95million up to December 31, 2004). During the year ended December 31, 2005, borrowing costs of US$1.25million were capitalized (US$1.1million for the year ended December 31, 2004).

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$21.8million as of December 31, 2005 (US$21.8million as of December 31, 2004) 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, 2005 amounted to US$3.8million (US$3.9million for the year ended December 31, 2004).

b. Real estate development projects include the following:

December 31,	2005 US$	2004 US$
Construction and rehabilitation of buildings	325,733,826	309,841,780
Cost of land	76,938,653	71,888,653
Cumulative costs	402,672,479	381,730,433
Less: Cost transferred to investment properties, net	(174,705,279)	(170,722,946)
Cost transferred to fixed assets	(18,141,961)	(18,102,717)
Cost of real estate sold	(44,164,255)	(44,164,255)
	165,660,984	148,740,515

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$70.07million and offices and residential complexes as of December 31, 2005 (US$64.6million as of December 31, 2004).

An impairment loss of US$1,685,783 was recognized in the statement of income in the year 2005 that represents non-recoverable charges included in the cost of some of these properties.

9. Investment Properties, Net

Investment properties are composed of the following:

	Balance as at December 31 2004 US$	Additions US$	Transfer from Properties Held for Development and Sale US$	Transfers to Fixed Assets US$	Transfer from Fixed Assets US$	Disposals and Sales US$	Balance as at December 31 2005 US$
Cost							
Land	43,211,293	-	-	(705,237)	-	(240,082)	42,265,974
Buildings	120,582,069	359,674	3,982,333	(1,349,571)	-	(618,552)	122,955,953
Marina	4,838,122	-	2,064,008	-	31,970	-	6,934,100
Other assets	3,446,730	268,085	-	(457,934)	1,052,061	-	4,308,942
	172,078,214	627,759	6,046,341	(2,512,742)	1,084,031	(858,634)	176,464,969
Accumulated Depreciation							
Buildings	11,225,640	2,566,224	-	(207,406)	-	(57,584)	13,526,874
Marina	169,892	65,536	-	-	-	-	235,428
Other assets	1,962,407	322,686	-	(81,188)	11,334	-	2,215,239
	13,357,939	2,954,446	-	(288,594)	11,334	(57,584)	15,977,541
Net Book Value	**158,720,275**						**160,487,428**

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, 2005, the Company sold property having an aggregate net book value of US$801,050 for total proceeds of US$1,098,486 which resulted in a gain of US$297,436 recorded in the statement of income (net book value of US$9.4million, total proceeds of US$11.1million and gain of US$1.7million for the year ended December 31, 2004).

The fair value of the investment properties is estimated by management at around US$248million based on current market prices (US$245million as of December 31, 2004). There has been no valuation of these properties by an independent valuer.

10. Fixed Assets, Net

Fixed assets are composed of the following:

	Balance as at December 31 2004 US$	Additions US$	Transfer from Properties Held for Development and Sale US$	Transfers to Fixed Assets US$	Transfer from Fixed Assets US$	Disposals and Sales US$	Balance as at December 31 2005 US$
Costs							
Land	4,374,955	-	-	705,237	-	-	5,080,192
Buildings	9,358,592	71,139	10,552	1,796,737	-	-	11,237,020
Furniture and fixtures	2,207,664	88,877	4,920	2,150	(3,680)	-	2,299,931
Freehold improvements	2,933,720	128,790	23,772	2,480	(125,936)	-	2,962,826
Plant	1,853,266	-	-	-	-	-	1,853,266
Machines and equipment	10,395,459	1,468,942	-	6,138	(954,415)	(93,537)	10,822,587
	31,123,656	1,757,748	39,244	2,512,742	(1,084,031)	(93,537)	34,255,822
Accumulated Depreciation							
Buildings	1,149,705	212,799	-	207,406	-	-	1,569,910
Furniture and fixtures	1,564,536	186,684	-	-	(11,334)	-	1,739,886
Freehold improvements	1,537,041	255,508	-	948	-	-	1,793,497
Plant	926,404	185,327	-	-	-	-	1,111,731
Machines and equipment	7,197,085	1,351,438	-	80,240	-	(65,335)	8,563,428
	12,374,771	2,191,756	-	288,594	(11,334)	(65,335)	14,778,452
Net Book Value	**18,748,885**						**19,477,370**

The depreciation for the year ended December 31, 2005 was split between an allocation to properties held for development and sale and a charge to the statement of income of US$759,076 and US$1,424,081, respectively (US$759,075 and US$1,129,360 respectively, for the year ended December 31, 2004).

11. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following:

December 31,	**2005 US$**	2004 US$
Accounts payable (a)	34,266,982	38,909,622
Accrued charges and other credit balances (b)	11,066,954	10,621,585
Taxes payable (c)	20,941,184	13,259,117
Due to joint venture shareholder (d)	-	5,265,000
Provision for end-of-service indemnity and other charges (e)	3,658,217	3,300,801
Liability under interest rate swap agreement (f)	996,790	3,540,509
Accrued interest payable	2,382,558	7,163,722
	73,312,685	82,060,356

a. Accounts payable as of December 31, 2005 and 2004 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 25(f).

b. Accrued charges and other credit balances as of December 31, 2005 and 2004 include an amount of US$8.5million representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. The Company recognized a liability against the cash proceeds since the outcome of the subject arbitration is not yet certain Note 25(j).

c. Taxes payable consist of the following:

December 31,	**2005 US$**	2004 US$
Accrued income tax	17,172,643	10,122,897
VAT Payable	872,818	495,689
Taxes withheld	414,641	590,531
Tax on gain from sale of treasury shares	442,620	-
Property tax payable	2,038,462	2,050,000
	20,941,184	13,259,117

The accrued income tax was estimated as follows:

	December 31, 2005 US$	Period from May 10, 2004 to December 2004 US$
Income before tax	125,703,068	64,215,078
Less losses of subsidiary	(11,717)	11,717
Non deductible losses pertaining to the tax exemption period	-	4,612,200
Non deductible provisions and charges	3,121,600	4,651,085
Rent revenue from built up property (Net)	(14,313,819)	(6,004,099)
Taxable income	114,499,132	67,485,981
Applicable tax rate	15%	15%
Accrued income tax	17,174,870	10,122,897

The applicable tax rate is 15% according to the Lebanese tax laws. The tax returns for the years 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$2.04million as at December 31, 2005 is included under the caption "Cost of Rented Properties" in the statement of income (US$2.05million as at December 31, 2004).

d. As of December 31, 2004 due to joint venture shareholder, represents 50% of the balance due to the other venturer, since at that date the Company did not contribute its share in the joint venture entity, as explained under Note 3.

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

December 31,	2005 US$	2004 US$
Balance at the beginning of the year	3,300,801	1,509,263
Additions	515,000	1,820,362
Settlements and others	(157,584)	(28,824)
Balance at the end of the year	3,658,217	3,300,801

f. 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 15.

On February 25, 2005, the Company restructured the long term loan of US$100million and thereby restructured the 3 year interest rate swap agreement on a notional amount of US$100million 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$60million for the first year extending from December 20, 2004 till December 20, 2005; decreasing to US$40million for the year extending from December 20, 2005 till December 20, 2006. During the two year period of the agreement, the interest to be received is determined at 12-month 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$40million for the first 3 quarters extending from April 21, 2005 till July 21, 2005. The notional amount decreases to US$30million for the fourth quarter and then to US$20million and US$10million for the fifth and sixth quarters, respectively. During the term of the agreement interest to be received is determined at 3-month Libor set at the beginning of each quarter and the interest to be paid is set at a rate of 6.3%. The Company will settle/receive the net interest amount on December 20, 2005 for the first two quarters and on December 20, 2006 for the remaining four quarters.

The Company settled US$2,623,267 included under "Interest expenses" in the statement of income for the year ended December 31, 2005 (US$2,905,125 for the year ended December 31, 2004).

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 (negative US$3,557,815 as of December 31, 2004). The change in fair value is recorded under shareholders 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.

12. Dividends Payable

The breakdown of dividends payable is summarized as follows:

December 31	2005				2004
General Assembly Date	Dividend per Share US$	Declared US$	Paid US$	Payable US$	Payable US$
June 29, 1996	0.20	30,918,413	28,782,737	2,135,676	2,376,429
June 30, 1997	0.25	40,367,172	36,764,445	3,602,727	3,913,846
June 29, 1998	0.25	39,351,753	34,860,051	4,491,702	4,894,494
June 23, 2003	stock dividends				
				36,602	246,097
				10,266,707	11,430,866

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

13. Deferred Revenues and Other Credit Balances

Deferred revenues and other credit balances consist of the following:

December 31,	2005 US$	2004 US$
Cash down payments and commitments on sale contracts	41,654,460	48,194,170
Deferred rental revenue and related deposits	13,444,966	13,389,811
	55,099,426	61,583,981

Cash down payments and commitments on sale contracts include balances aggregate to approximately US$33.4million that relate to 10 sale contracts with an aggregate potential gross sales value of US$543.5million as of December 31, 2005 (US$42million relating to 19 sale contracts with an aggregate potential gross sale value of US$84million as of December 31, 2004). This caption also includes down payments totaling US$1.66million (US$1.8million as of December 31, 2004) on sale of units in the shopping mall project corresponding to a potential gross sales value of US$33million.

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

14. 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$3.9million 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 lapses, the proceeds will be reflected as deferred credit.

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

Subsequent to the balance sheet date the buyer did not exercise the option to sell back these shares to the Company and as a result deferred credits were offset against treasury shares.

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 lapses, the proceeds will be 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$26million 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 lapses, the proceeds will be 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 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 by the sale back option related terms and conditions of the 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 net of tax in the amount of US$442,620 was reflected under reserves from gain on treasury shares in the shareholders' equity.

Interest in the amount of US$630,820 has been accrued on the deferred credits up to December 31, 2005 (US$4,195,507 up to December 31, 2004).

15. Loans from Banks and Financial Institutions

This caption consists of the following:

December 31,	2005 US$	2004 US$
Syndicated local bank loans	40,000,000	160,000,000
Local bank loan	40,000,000	-
"COFACE" guaranteed loan	30,654,857	45,982,285
Syndicated loan	2,314,821	6,944,462
Local bank loan	7,000,000	9,000,000
Loan guaranteed by Export - Import Bank of the United States	9,429,381	12,123,490
	129,399,059	234,050,237

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

December 31,	2005 US$	2004 US$
2005	-	44,651,179
2006	82,336,358	142,336,357
2007	40,021,537	40,021,537
2008	4,694,109	4,694,109
2009	2,347,055	2,347,055
	129,399,059	234,050,237

Syndicated Local Bank Loans

The Company entered on January 16, 2003 into a three year loan agreement with a syndicate of local banks for an amount of US$100million payable in April 2006. This loan is subject to interest at the rate of 3 month Libor + 4.25% (with a floor of 7.5%) payable quarterly.

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

According to the covenants of the above loan agreements, the Company was required to maintain a debt to equity ratio below 25%, and maintain ownership of not less than 1million square meters of built-up-area free from any security to third party and maintain net tangible assets of a minimum of US$1billion.

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$60million payable in 6 quarterly installments in the amount of US$10million each, starting July 21, 2005. This loan is subject to an annual interest rate of 3 month Libor + 2.5%, payable quarterly upon the maturity of the installments. The total amount of this loan was withdrawn on April 21, 2005. This loan was fully settled in the subsequent period 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$107.3million of which US$7.3million 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$7.66million 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, 2005 amounted to US$76.66million (US$61.34million up to December 31, 2004). Under the terms of the loan contract, the Company is required to maintain a pledged deposit of US$23.6million with the lending bank starting from the date of the first withdrawal. The pledged deposit was subsequently reduced in 2004 to US$18.5million. 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$53.6million 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$53million, 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$22million. 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$20.26million. This loan will be repaid by one installment in the amount of US$1.74million and eight equal semi-annual installments. Eight installments in the total amount of US$17.95million were made as of December 31, 2005 (six installments in the total amount of US$13.31million as of December 31, 2004) and thus the balance of the loan decreased to US$2.31million as at December 31, 2005. This loan is subject to an interest rate of 3 month 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$1billion and maintain accounts and notes receivable of not less than US$75million 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$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 2005 in addition to an installment of US$1million during 2004 and thus the balance of the loan decreased to US$7million as of December 31, 2005. The loan is subject to an interest rate of 3 month Libor plus 1%. The Company shall maintain a pledged fund of not less than 102% of all outstanding principal and interest amounts, and should maintain a debt to equity ratio not exceeding 25% and total tangible net assets should not be less than US$1billion free from any liens including permitted liens.

Loan Guaranteed by Export - Import Bank of the United States

In July 2001, the Company signed an "Export Financing Credit Agreement" in 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 financed by a resident foreign bank. An amount of US$13.47million had been drawn up to December 31, 2004. Subsequently, up to December 31, 2005 no amounts were drawn. This loan shall be paid in 10 approximately 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 2005 in addition to an installment of US$1.35million during 2004 and thus the balance of the loan decreased to US$9.43million as at December 31, 2005. This loan is subject to an interest rate of 0.25% per annum above Libor. According to the contract terms, an irrevocable stand-by letter of credit in the amount of US$3.57million was submitted to the Export - Import Bank. Moreover, the Company is required to maintain a minimum balance of cash and cash equivalents of US$30million and the number of treasury shares should not exceed 10,131,829 shares or US$76million in aggregate.

16. 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, 2005, the Company had 10,191,750 "A" shares listed on the London Stock Exchange in the form of Global Depository Shares (GDS) (9,091,750 "A" shares as of December 31, 2004).

17. 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.

18. Treasury Shares

This caption includes 4,342,000 shares class (A) and (B) as of December 31, 2005 (8,685,000 shares as of December 31, 2004), of which 600,000 shares are subject to an option (5,604,000 shares subject to an option as of December 31, 2004).

The treasury shares outstanding as of December 31, 2005 and December 31, 2004 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.

This caption includes 600,000 shares as of December 31, 2005 that are subject to a sale back option (5,604,000 shares as of December 31, 2004). This caption includes also 3,685,000 shares as of December 31, 2005 that are acquired from sale of properties (3,012,000 shares as of December 31, 2004).

19. Charges on Rented Properties

Charges on rented properties includes the following:

December 31,	**2005 US$**	2004 US$
Depreciation expense	2,954,447	2,885,780
Real estate taxes	2,038,462	2,451,150
Maintenance and other related expenses, net	1,486,649	1,755,931
	6,479,558	7,092,861

20. General and Administrative Expenses

General and administrative expenses is composed of the following:

December 31,	**2005 US$**	2004 US$
Salaries, benefits and related charges	7,201,368	6,551,022
Board of directors' remuneration	144,000	144,000
Administrative expenses	4,147,663	3,435,630
	11,493,031	10,130,652

In addition to the above, salaries, benefits and related charges and administrative expenses amounting to US$3.8million were reallocated to construction cost during the year ended December 31, 2005 (US$3.9million during the year ended December 31, 2004).

21. Interest Income

Interest income is comprised of the following:

December 31,	**2005 US$**	2004 US$
Interest income from notes and accounts receivable	12,570,326	6,347,418
Interest income from banks	3,043,998	1,996,825
	15,614,324	8,344,243

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

22. 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 earnings per share is 158,143,126 shares as of December 31, 2005 (158,759,725 shares as of December 31, 2004).

23. Notes to the Statements of Cash Flows

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

December 31,	2005 US$	2004 US$
Non-cash proceeds from recuperation	(182,300)	(91,290)
Decrease in receivables from recuperated properties	(616,703)	(19,525)
	(799,003)	(110,815)

b. Depreciation was applied as follows:

December 31,	2005 US$	2004 US$
Depreciation of fixed assets - Note 10	2,191,756	1,889,856
Depreciation of investment properties - Note 9	2,954,446	2,885,780
Less: Depreciation allocated to the cost of properties held for development and sale	(759,076)	(759,075)
Depreciation charge for the year	4,387,126	4,016,561

c. Interest expense consists of the following:

December 31,	2005 US$	2004 US$
Interest charged as period cost	17,490,405	26,045,835
Interest expense allocated to cost of properties held for development and sale	1,202,293	1,146,829
Total interest expense	18,692,698	27,192,664

d. Non-cash transactions in the operating activities include sale of properties of total cost of US$10,100,000 to a joint venture entity for a total consideration of US$31,600,000 recorded under "investment in a joint venture" for the year ended and as at December 31, 2005.

e. 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 14). 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 14).

f. Non-cash transactions in operating and investing activities include sales of built up area against acquisition of treasury shares for an amount of US$6,360,898 for the year ended December 31, 2005 (US$18,273,003 for the year ended December 31, 2004).

g. Non-cash transactions in investing activities include a transfer for the amount of US$2,224,148 from investment properties to fixed assets for the year ended December 31, 2005 (Nil for the year ended December 31, 2004).

h. Non-cash transactions in operating and investing activities include a transfer of an amount of US$6,046,341 from properties held for development and sale to investment properties for the year ended December 31, 2005 (US$53,991 for the year ended December 31, 2004)

i. Non-cash transactions in operating and investing activities include a transfer of an amount of US$39,244 from properties held for development and sale to fixed assets for the year ended December 31, 2005 (Nil for the year ended December 31, 2004).

j. Non-cash transactions in the investing activities include transfers from fixed assets to investment properties in the amount of US$1,072,697 for the year ended December 31, 2005 (US$666,225 for the year ended December 31, 2004).

k. Non-cash transactions in financing activities include the effect of markup of treasury shares for an amount of US$5,027,346 for the year ended December 31, 2005 (US$17,210,545 for the year ended December 31, 2004).

l. Non-cash transactions in investing activities include the change in fair value of available-for-sale securities net of deferred tax in the amount of US$274,330 offset against "Cumulative change in fair value of available-for-sale securities" and "prepayments and other debit balances" in the amount of US$233,180 and US$41,150, respectively, for the year ended December 31, 2005.

m. 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.

n. Cash and cash equivalents comprise of the following:

December 31,	2005 US$	2004 US$
Cash	93,902	95,513
Current accounts	20,446,999	45,917,144
Short term deposits	61,508,824	38,673,385
Bank overdrafts	(10,020,182)	(10,596,118)
	72,029,543	74,089,924

24. 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$139,692 as of December 31, 2005 (US$252,273 as of December 31, 2004) representing current bank accounts with a local bank who is a significant but minority shareholder of the Company. The Company had obtained a syndicated loan of US$100million which was managed and financed by that bank and which was settled during 2004. Interest expense for 2004 relating to this loan amounted to US$8.1million.

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

General and administrative expenses include legal fees in the amount of US$120,000 for the year ended December 31, 2005 related to one of the firm's legal counselors who is also a member in the Company's board of directors (US$161,799 for the year ended December 31, 2004).

Certain directors are members of the boards of directors of banks with whom the Company has various banking activities.
Transactions with the joint venture are disclosed under Note 9.

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.

Total benefits paid to executives and Board members (including salary, bonus and others), included within General and Administrative expenses, for the year ended December 31, 2005 amounted to US$1,431,500 (US$1,505,284 for the year ended December 31, 2004).

25. 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 291,800 m^2 of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Company of the sea landfill and infrastructure works.

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

c. Commitments for contracted works not executed as of December 31, 2005 amounted to approximately US$111.4million (US$67.9million as of December 31, 2004).

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

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

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

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

h. The Company has as a stand-by letter of credit in the amount of US$3,566,993 to be gradually decreased starting June 2007 to reach US$3,035,622 in June 2011. This instrument is issued in guarantee of the US$14.7million US Export Import Bank of the United States facility amounting to US$9.43million as of December 31, 2005 (US$12.12million as of December 31, 2004). Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral (Note 4).

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 4,900 m^2 against ceding of owners' shares from both lots. Additionally, a built up area of 5,335 m^2 (US$2,700,000) remains as a contingent loss to the Company in case the prelacy decides to build this area within the next 10 years following this agreement.

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

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

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

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.

26. 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 credit risk exposure is spread over 109 counter-parties; 6 customers constitute 50% of the total exposure and 103 customers constitute the remaining 50%.

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.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

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.

27. Comparative Information

Bank overdrafts have been reclassified from cash and banks balances to a separate line item "Bank overdrafts" under liabilities in the balance sheet. Comparative amounts, totaling US$10,596,118, have been reclassified accordingly.

28. Approval of Financial Statements

The Board of Directors approved the financial statements for the year ended December 31, 2005, on March 14, 2006.