



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 balance sheet of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. known as SOLIDERE (a Lebanese joint stock company), as of December 31, 2002 and the related 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 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 referred to above 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

As more fully described in note 16 to the accompanying financial statements, according to the 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 18 months. The treasury shares held by the Company for a period exceeding 18 months as of December 31, 2002 amounted to 4,532,060 shares.

Beirut, Lebanon
April 22, 2003

Deloitte & Touche

Ernst & Young

Balance Sheet			
<i>December 31,</i>		2002 US\$	2001 US\$
	<i>Notes</i>		
Assets			
Cash and bank balances	3	75,609,160	79,443,903
Prepayments and other debit balances	4	18,588,890	21,026,925
Accounts and notes receivable, net	5	208,708,940	189,060,769
Properties held for development and sale, net	6	1,654,214,354	1,656,279,419
Investment properties, net	7	150,207,571	156,155,974
Fixed assets, net	8	21,228,558	17,912,377
Total Assets		2,128,557,473	2,119,879,367
Liabilities			
Accounts payable and other liabilities	9	106,560,350	87,330,752
Dividends payable	10	12,285,665	12,920,472
Deferred revenues and other credit balances	11	34,303,783	13,688,012
Deferred credits	12	6,012,000	49,000,000
Bank loans	13	320,078,186	343,464,720
Total Liabilities		479,239,984	506,403,956
Shareholders' Equity			
Capital	14		
Issued capital at par value US\$10 per share:			
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	15	28,810,948	24,696,931
Retained earnings/accumulated losses		22,039,557	(1,874,622)
Change in fair value of interest rate swap agreement	9	(3,902,520)	-
Less: Treasury shares	16	(47,630,496)	(59,346,898)
Total Shareholders' Equity		1,649,317,489	1,613,475,411
Total Liabilities and Shareholders' Equity		2,128,557,473	2,119,879,367
<i>the accompanying notes form an integral part of this balance sheet</i>			

Statement of Income			
<i>December 31,</i>		2002 US\$	2001 US\$
	<i>Notes</i>		
Net revenues from land and real estate sales	17	59,068,222	29,140,046
Net revenues from rented properties	18	8,336,716	6,109,379
Revenues from operations		67,404,938	35,249,425
General and administrative expenses	19	(9,287,770)	(8,527,941)
Depreciation	8	(1,065,570)	(1,293,855)
Total operating expenses		(10,353,340)	(9,821,796)
Net income from operations		57,051,598	25,427,629
Interest income		8,534,855	10,505,050
Interest expense	12	(24,920,498)	(33,094,514)
Cost of discounting notes receivable	5	(2,462,787)	(639,169)
Loss on disposal of fixed assets		-	(284,515)
Write back of provision for contingencies	9	2,937,000	-
Net income for the year		41,140,168	1,914,481
Basic earnings per share	20	0.2646	0.0124
<i>the accompanying notes form an integral part of these statements</i>			

Statement of Changes in Shareholders' Equity

	Share Capital US\$	Legal Reserve US\$	Treasury Shares US\$	Retained Earnings/ (Accumulated Losses) US\$	Change in Fair Value of Interest Rate Swap Agreement US\$	Total US\$
Balance at December 31, 2000	1,650,000,000	24,505,483	(69,985,992)	3,314,798	-	1,607,834,289
Effect of mark down of treasury shares - Note 16	-	-	6,912,453	(6,912,453)	-	-
Net income for the year	-	-	-	1,914,481	-	1,914,481
Allocation to legal reserve	-	191,448	-	(191,448)	-	-
Treasury shares activity	-	-	3,726,641	-	-	3,726,641
Balance at December 31, 2001	1,650,000,000	24,696,931	(59,346,898)	(1,874,622)	-	1,613,475,411
Effect of mark down of treasury shares - Note 16	-	-	13,111,972	(13,111,972)	-	-
Net income for the year	-	-	-	41,140,168	-	41,140,168
Allocation to legal reserve	-	4,114,017	-	(4,114,017)	-	-
Treasury shares activity	-	-	(1,395,570)	-	-	(1,395,570)
Change in fair value of interest rate swap agreement	-	-	-	-	(3,902,520)	(3,902,520)
Balance at December 31, 2002	1,650,000,000	28,810,948	(47,630,496)	22,039,557	(3,902,520)	1,649,317,489

the accompanying notes form an integral part of these statements

Statement of Cash Flows

December 31,	Notes	2002 US\$	2001 US\$
Cash Flows From Operating Activities:			
Net income for the year		41,140,168	1,914,481
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	21	3,544,540	3,477,988
Loss on sale of tangible fixed assets		-	284,515
Cost of discounting notes receivables		2,462,787	639,167
Non cash sale transaction	21	(1,647,092)	-
Write back of provision for contingencies		(2,937,000)	-
Changes in assets and liabilities:			
(Increase)/decrease in prepayments and other debit balances		(1,386,965)	5,426,462
(Increase) in accounts and notes receivable	21	(45,384,572)	(21,016,457)
Decrease/(increase) in properties held for development and sale	21	7,413,138	(20,290,124)
Increase/(decrease) in accounts payable and other liabilities		16,174,078	(2,827,672)
Increase/(decrease) in deferred revenues and other credit balances	21	22,705,771	(6,128,473)
Net cash provided by/(used in) operating activities		42,084,853	(38,520,113)
Cash Flows From Investing Activities:			
Bank term deposits		8,780,208	19,511,218
Increase in receivable from recuperated properties		(582,126)	-
Cash proceeds from recuperation of properties	21	387,006	3,659,497
Proceeds from sale of fixed assets		-	1,205,324
Acquisition of fixed assets		(451,054)	(638,536)
(Increase) in investment properties	21	(1,984,338)	(276,799)
Net cash provided by investing activities		6,149,696	23,460,704
Cash Flows From Financing Activities:			
Bank overdrafts		(3,094)	(7,949,812)
Bank loans (settlements)		(23,386,534)	(4,580,835)
Dividends paid	10	(634,807)	(1,665,493)
Proceeds from discounting notes receivable	5	23,382,153	15,183,497
Deferred credits on sale of treasury shares	12	(42,638,000)	-
Net (settlements)/proceeds from treasury shares	21	(11,896)	4,828,501
Net cash (used in)/provided by financing activities		(43,292,178)	5,815,858
Net increase/(decrease) in cash and cash equivalents		4,942,371	(9,243,551)
Cash and cash equivalents—Beginning of the year		11,480,956	20,724,507
Cash and cash equivalents—End of the year	3	16,423,327	11,480,956

the accompanying notes form an integral part of these statements

Notes to the Financial Statements *for the year ended December 31, 2002*

1. Formation and Object 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 on the basis of the agreement referred to in Note 22(a), to prepare and reconstruct the BCD area, to reconstruct or restore the existing buildings, to erect buildings and sell, lease or exploit such buildings and lots and to develop the landfill on the seaside.

The duration of the Company is 25 years beginning from the date of establishment. The 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. This resolution becomes effective upon obtaining the approval of the Council of Ministers which is not yet issued.

In accordance to Law No. 117/91, the Company is exempted from corporate income tax on profit for a period of 10 years from the date of establishment.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations of the standing interpretation committee. The significant accounting policies are set herebelow:

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 accounting records are maintained in 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. Assets and Liabilities stated in currencies other than the U.S. Dollar are translated at the rates of exchange prevailing at the end of the year. The resulting exchange gain or loss which is not material, is reflected in the 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, is included in the statement of income. The carrying amount of the asset is adjusted through the use of an allowance account.

d. 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 and general and administrative expenses, which were partially allocated to properties held for development and sale.

e. Investment Properties:

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

Depreciation is computed using the straight-line method over the estimated useful lives of the properties, excluding the cost of land, based on an annual rate of 2%.

f. Fixed Assets:

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

Real estate property	2%
Furniture and fixtures	9%
Plant	10%
Machines and equipment	15%-20%
Freehold improvement	9%

g. Treasury Shares:

According to its articles of incorporation, the Company may purchase up to 10% of its share capital without the appropriation of reserves, provided that it shall resell these shares within a period not exceeding eighteen months. Treasury shares are stated at the lower of weighted average cost and year-end share market price in case market is below par value. Any gains on sales are reflected as an adjustment to the carrying value, whereas losses in excess of the cumulative gains are charged to retained earnings. The carrying book value of treasury shares sold with a sale back option are marked down to the realizable value.

h. Revenue Recognition:

Revenue on 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.

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

i. 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.

Notes to the Financial Statements *for the year ended December 31, 2002*

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.

j. 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 with sale back option, whereby materialization is dependent on the outcome of uncertain events beyond the control of both the Company and the buyer, are classified as deferred credits except where the possibility of exercise of option is remote, in that case, the instrument is classified as equity.

k. 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.

l. Derivative Financial Instruments:

Derivative financial instruments including interest rate swaps are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

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

The change in the fair value of the hedging instrument related to hedge of cash flows, that is determined to be an effective hedge within the range of 80% to 125%, is recognized directly in equity through the statement of changes in shareholders' equity.

m. Taxation:

In accordance with law No.117/91, the Company is exempted from corporate income tax on profit for a period of 10 years from the date of establishment. However, the rental income is subject to property taxes in accordance with the Lebanese law.

n. Provisions:

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

3. Cash and Bank Balances

Cash and bank balances are composed of the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Cash on hand	80,450	75,485
Current accounts	16,342,877	11,405,471
	16,423,327	11,480,956
Term deposits	59,194,893	67,975,101
	75,618,220	79,456,057
Bank overdrafts	(9,060)	(12,154)
	75,609,160	79,443,903

Term deposits outstanding as of December 31, 2002 have an average yield of around 1.5%, and mature in January 2003.

Term deposits include an amount of US\$37million as of December 31, 2002 and 2001 pledged against the loan provided to the Company and guaranteed by "COFACE" as explained in Note 13. It also includes deposits of US\$13.7million pledged against a stand-by letter of credit to the extent of about US\$3.5million and a local bank loan to the extent of US\$10.2million as explained under Note 13 and Note 22 (h).

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and current accounts.

4. Prepayments and Other Debit Balances

Prepayments and other debit balances are composed of the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Accrued interest income	5,669,762	8,367,474
Prepaid expenses	751,533	4,648,701
Advance payments to contractors	2,462,236	2,299,543
Other debit balances	9,705,359	5,711,207
	18,588,890	21,026,925

Other debit balances include an amount of US\$3,721,435 as of December 31, 2002 due from the Ministry of the Foreign Affairs, relating to the year 2002 rent contract of the ESCWA building.

Other debit balances include also investments in non-consolidated subsidiaries amounting to US\$160,974 which are carried at cost as they are not material and consist of 9 wholly owned inactive subsidiaries. The principal activity of these subsidiaries is to acquire, construct, lease and manage real estate properties in the BCD.

During the year ended December 31, 2002, an amount of US\$3,825,000 was transferred from prepaid expenses to fixed assets. This amount represents the purchase price of theater equipment bought in previous years relating to a prospective project which the Company intends to develop.

5. Accounts and Notes Receivable, Net

Accounts and notes receivable are composed of the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Notes receivable	149,258,896	131,953,709
Accounts receivable	80,419,435	83,956,391
Interest receivable on discounted notes	3,565,678	3,570,553
Less: Unearned interest	(17,973,959)	(15,402,518)
Less: Provision for problematic receivables	(6,561,110)	(15,017,366)
	208,708,940	189,060,769

Notes receivable, which resulted mainly from sales (and recuperations of previous years), carry the following maturities as of December 31, 2002:

Notes to the Financial Statements *for the year ended December 31, 2002*

	US\$
Overdue	6,389,679
2003	34,143,607
2004	35,553,478
2005	29,171,910
2006	21,827,020
2007 and thereafter	22,173,202
	<u>149,258,896</u>

The Company placed in custody of a lending bank, as comfort collateral with no pledge, notes receivable in the amount of US\$15,288,423 as of December 31, 2002 (US\$22,265,624 as of December 31, 2001).

Accounts receivable include non-interest earning balances aggregating approximately US\$7million as of December 31, 2002 (US\$11million as of December 31, 2001) which are stated at face value pending the formulation of maturity schedules. The Company believes that the decrees issued during the year 2001 will facilitate the approval process and thus the finalization of the ultimate interest and maturities.

The provision for problematic receivables has been established to meet probable defaults of certain clients whose notes and accounts receivable aggregate to US\$11,440,644 as of December 31, 2002 (US\$26,331,326 as of December 31, 2001). During the year 2002, the Company utilized an amount of US\$8,456,256 of this provision against certain problematic receivables.

During the year 2002, the Company signed four agreements to discount without recourse, notes receivable representing maturities of principal, having an aggregate face value of US\$27,363,627. The net proceeds from these transactions amounted to US\$23,382,153. Interest on some of these notes which remains due to the Company on the pre-determined maturity dates, having a present value of US\$1,518,687 at the date of the transactions, is still recognized under accounts and notes receivable. An amount of US\$2,462,787 representing the net cost of discounting was charged to the income statement for the year ended December 31, 2002.

Similarly during the year 2001, the Company signed several agreements to discount without recourse, notes receivable representing maturities of principal, having an aggregate face value of US\$16,979,864. The net proceeds from these transactions amounted to US\$15,183,497. Interest on some of these notes which remains due to the company of the pre-determined maturity dates, having a present value of US\$1,157,200 at the date of the transaction, is still recognized under accounts and notes receivable. An amount of US\$639,167 representing the net cost of discounting was charged to the income statement for the year ended December 31, 2001.

The Company credit risk exposure is spread over 88 counter-parties; 4 customers constitute 39% of the total exposure and 84 customers constitute the remaining 61%.

6. Properties held for Development and Sale, Net

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

<i>December 31,</i>	2002 US\$	2001 US\$
Land and land development works, net (a)	1,517,639,697	1,538,696,734
Real estate development projects, net (b)	136,574,657	117,582,685
	<u>1,654,214,354</u>	<u>1,656,279,419</u>

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

<i>December 31,</i>	2002 US\$	2001 US\$
Acquired properties (a.1)	955,301,133	955,374,742
Pre-acquisition costs (a.2)	9,412,802	9,412,801
Infrastructure costs (a.3)	574,986,518	548,659,334
Eviction costs (a.4)	259,591,080	259,493,329
Capitalized costs (a.5)	59,843,467	56,575,015
Cumulative costs	1,859,135,000	1,829,515,221
Less: Cost of land sold, net	(274,515,686)	(223,838,870)
Less: Cost of land transferred to real estate development projects	(66,979,617)	(66,979,617)
	<u>1,517,639,697</u>	<u>1,538,696,734</u>

a.1 Acquired properties consist mainly of the aggregate initial appraised value attributed to the plots included in the BCD area (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 or exchanged properties as well.

Law No. 117/91 stated the requirements for property recuperation and exemption, in this respect properties appraised at US\$255,012,147 were recuperated by original owners and properties appraised at US\$133,333,748 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 include an amount of US\$279million relating to the sea front defense and marina works, an amount of US\$135million relating to infrastructure works executed in the traditional BCD area, and an amount of US\$60million relating to the cost of land reclamation and treatment. It includes also the cost of an electricity power station in the amount of US\$42million, and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US\$35,341,054 (US\$33,712,236 up to December 31, 2001). During the year ended December 31, 2002 borrowing costs of US\$1,628,818 were capitalized.

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\$21,816,442 (US\$21,829,193 in 2001) 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, 2002 amounted to US\$3,228,897 (US\$2,814,727 during the year ended December 31, 2001).

Notes to the Financial Statements *for the year ended December 31, 2002*

(b) Real estate development projects include the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Construction and rehabilitation of buildings	264,214,398	245,222,426
Cost of land	66,979,617	66,979,617
Cumulative costs	331,194,015	312,202,043
Less: Cost transferred to investment properties, net	(147,729,923)	(153,183,695)
Cost transferred to fixed assets	(18,102,717)	(18,102,717)
Cost of real estate sold	(28,786,718)	(23,332,946)
	<u>136,574,657</u>	<u>117,582,685</u>

The cost of real estate development projects includes mainly costs incurred in connection with the construction of a shopping mall in the amount of US\$56million and an office and residential complex in the amount of US\$16million as of December 31, 2002 which are still in progress.

7. Investment Properties, Net

Investment properties are composed of the following:

	Balance at January 1, 2002	Additions	Transfer to properties held for development and sale	Balance at December 31 2002
	US\$	US\$	US\$	US\$
Cost:				
Land	45,157,478	-	(1,625,628)	43,531,850
Buildings	113,755,121	1,941,854	(3,828,144)	111,868,831
Other assets	3,040,145	42,484	-	3,082,629
	<u>161,952,744</u>	<u>1,984,338</u>	<u>(5,453,772)</u>	<u>158,483,310</u>
Accumulated Depreciation:				
Buildings	4,796,577	2,179,035	-	6,975,612
Other assets	1,000,193	299,934	-	1,300,127
	<u>5,796,770</u>	<u>2,478,969</u>	<u>-</u>	<u>8,275,739</u>
Net Book Value	<u>156,155,974</u>			<u>150,207,571</u>

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

During the year ended December 31, 2002 the Company transferred part of its investment properties amounting to US\$5,453,772 to properties held for development and sales as the Company commenced and finalized their development with the view to sell them.

The fair value of the investment properties is estimated at around US\$170million based on current market prices.

8. Fixed Assets, Net

Fixed assets are composed of the following:

	Balance at January 1, 2002	Additions	Transfers	Balance at December 31, 2002
	US\$	US\$	US\$	US\$
Cost:				
Land and buildings	13,522,837	26,804	291,023	13,840,664
Furniture and fixtures	1,925,542	59,679	-	1,985,221
Freehold improvements	2,564,248	61,102	-	2,625,350
Plant	1,853,266	-	-	1,853,266
Machines and equipment	5,419,693	303,469	3,825,000	9,548,162
	<u>25,285,586</u>	<u>451,054</u>	<u>4,116,023</u>	<u>29,852,663</u>
Accumulated Depreciation:				
Buildings	586,195	185,558	-	771,753
Furniture and fixtures	1,031,402	174,365	-	1,205,767
Freehold improvements	827,096	232,463	-	1,059,559
Plant	370,426	185,325	-	555,751
Machines and equipment	4,558,090	473,185	-	5,031,275
	<u>7,373,209</u>	<u>1,250,896</u>	<u>-</u>	<u>8,624,105</u>
Net Book Value	<u>17,912,377</u>			<u>21,228,558</u>

The depreciation for the year ended December 31, 2002 was split between an allocation to properties held for development and sale and a charge to the income statement of US\$185,325 and US\$1,065,571 respectively.

9. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Notes Payable	7,983,859	13,983,859
Accounts payable	81,744,530	49,807,411
Accrued disputed claims	1,000,000	1,650,000
Accrued charges and other credit balances	6,520,449	4,105,199
Accrued interest	4,097,382	12,424,404
Provision for contingencies	-	4,046,801
Provision for end-of-service indemnity	1,216,610	1,218,078
Liability under swap agreement	3,997,520	95,000
	<u>106,560,350</u>	<u>87,330,752</u>

Notes payable outstanding as of December 31, 2002 are due to a contractor and are payable in 2 installments of US\$3million each in year 2003 and in a final installment of US\$1.9million in year 2004. These notes are subject to an interest rate of 6 months Libor plus 3.5% per annum.

Notes to the Financial Statements *for the year ended December 31, 2002*

Accounts payable as of December 31, 2002 and December 31, 2001 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 22(f).

Accrued charges and other credit balances as of December 31, 2002 includes an amount of US\$2,090,000 representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. As the outcome of the subject arbitration is not yet certain and since the final resolution of the executed performance bond is associated with this arbitration, a liability was recognized against the cash proceeds.

Provision for contingencies as of December 31, 2001 represents a provision for an arbitration proceeding in addition to associated risks amounting to US\$2,000,000 setup as per a board of directors' decision. The US\$2,000,000 provision was written back to the statement of income during the year ended December 31, 2002 after the board of directors decided that there is no need for this provision anymore.

Furthermore, during the year ended December 31, 2002 the Company reached a settlement for the arbitration proceeding which resulted in the payment of US\$1,109,801 as a full compensation to the concerned party. Accordingly, the remaining additional provision amounting to US\$937,000 was written back to the statement of income.

On December 21, 2001, the Company entered into a 5 year interest rate swap agreement on a notional amount of US\$100million with a local arranger bank calling for the payment and receipt of interest at predetermined rates which are to be set up at the beginning of each of the 5 years to hedge the Libor rate fluctuations on the US\$100million term loan. During the first and second periods ending December 21, 2002 and 2003, the interest rate to be paid is Libor + 2% (4.39% and 3.58%, respectively) and interest rate to be received by the Company is 5% and 4.95% respectively. Interest rates to be paid by the Company are 4%, 5% and 6% for the three remaining years while interest rates to be received for the three remaining years will be determined up-front on December 21 of each year based on the fluctuation of the Libor rate at that time.

As at December 31, 2002, 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\$3,997,520 (US\$95,000 as of December 31, 2001). The effect of this valuation which amounted to US\$3,902,520 for the year ended December 31, 2002 was recorded as a deduction in the shareholders' equity under "Change in fair value of interest rate swap agreement".

10. Dividends Payable

The breakdown of dividends payable is summarized as follows:

<i>December 31,</i>		2002		2001	
General Assembly Date	Dividend per Share US\$	Declared US\$	Paid US\$	Payable US\$	Payable US\$
June 29, 1996	0.20	30,918,413	28,307,950	2,610,463	2,766,295
June 30, 1997	0.25	40,367,172	36,094,582	4,272,590	4,498,321
June 29, 1998	0.25	39,351,753	33,949,141	5,402,612	5,655,856
		110,637,338	98,351,673	12,285,665	12,920,472

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

11. Deferred Revenues and Other Credit Balances

Deferred revenues consist of the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Cash down payments on sale contracts	29,220,300	9,256,684
Deferred rental revenue and related deposits	5,083,483	4,431,328
	34,303,783	13,688,012

Cash down payments on land and real estate sale contracts amounting to approximately US\$27million relate to 22 sale contracts with an aggregate potential gross sales value of US\$153million. This caption also includes down payments totaling US\$1.7million 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 represents down payments on lease and rental agreements and reservation deposits for the rental of real estate properties.

12. Deferred Credits

The board of directors, in their meetings held on October 29, 1999 and December 13, 1999 authorized management to sell part of treasury shares. During 1999, 7 million shares were sold from its portfolio for a total consideration of US\$49million, at US\$7 per share whereby the buyers were granted a sale back option at an average strike price of US\$8.4 per share to be exercised by those buyers within two years and/or three years period, subject to certain conditions specified in the sales contracts. The strike price represents the selling price of US\$7 per share plus accumulated interest at Libor (at the date of the deal) + 1/2%. Until such time as the Company's commitment to buy back those shares lapse, the proceeds are reflected as deferred credit.

During the first half of the year 2002, some of the option holders exercised their rights on 2.95million shares which matured in January 2002 and resulted in a payment of US\$24million by the Company. However, one option holder did not exercise his rights on 50,000 shares which were instead removed from treasury shares and the accrued interest in the amount of US\$55,343 was credited to the income statement.

During the second half of the year 2002, the remaining option holders exercised their rights on 4 million shares which mature in January 2003. This resulted in a commitment on the Company to buy back these shares for an amount of US\$34.6 million, including accrued interest in the amount of US\$6.6 million, to be paid in April 2003.

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 its portfolio 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 after 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 lapse, the proceeds will be reflected as deferred credit.

Interest in the amount of US\$2,624,980 has been accrued on the above deferred credits up to December 31, 2002 and was charged to the income statement under interest expense (US\$3.9million up to December 31, 2001).

Notes to the Financial Statements *for the year ended December 31, 2002*

Subsequently, the Company sold on February 24, 2003, 600,000 shares (360,000 "A" shares and 240,000 "B" shares) from its portfolio with a sale back option for a total consideration of US\$3,900,000 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 lapse, the proceeds will be reflected as deferred credit in the year 2003.

13. Bank Loans

Bank loans consists of the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Local bank loan (US\$50million)	4,000,000	14,000,000
Two syndicated loans (US\$100million each)	200,000,000	200,000,000
Foreign bank loan (US\$10million)	5,000,000	10,000,000
"COFACE" guaranteed loan	76,637,142	91,964,571
Syndicated loans (US\$22million)	16,203,744	12,026,694
Local bank loan (US\$10million)	6,779,298	5,762,623
Loan guaranteed by Export - Import Bank of the United States	11,458,002	9,710,832
	<u>320,078,186</u>	<u>343,464,720</u>

The above loans carry the following maturities as of December 31, 2002:

	<u>US\$</u>
2003	228,957,070
2004	21,780,800
2005	23,604,529
2006	21,289,709
2007	18,974,888
2008	3,647,460
2009	1,823,730
	<u>320,078,186</u>

Local Bank Loan:

On September 17, 1998 the Company entered into a 5 year loan agreement with a local bank for an amount of US\$50million payable in 10 semi-annual installments starting December 31, 1998 (subject to voluntary full prepayment clause) and subject to an interest rate of 6-month Libor + 2%. The Company placed in custody of the bank, as comfort collateral with no pledge, notes receivable in the amount of US\$15,288,423 as of December 31, 2002 (US\$22,265,624 as of December 31, 2001).

Two Syndicated Loans:

On April 2, 1998 the Company entered into a 5 year loan agreement with a syndicate of local banks for an amount of US\$100million payable in April 2003 (subject to voluntary full prepayment clause). This loan was subject to an interest rate of 12 month Libor + 2.35% for the first year, to be escalated yearly to reach 12 month Libor + 2.65% in the fifth year, and payable every quarter. To refinance this loan, the Company entered on January 16, 2003 into a three year loan agreement with a local bank for an amount of US\$100 million payable in April 2006. This loan is subject to interest at the rate of 3 month Libor + 4.25% (with floor of 7.5%) payable quarterly.

On December 14, 1998 the Company entered into a 5 year loan agreement with a syndicate of local banks for an amount of US\$100million payable in December 2003 (subject to voluntary full prepayment clause). This loan is subject to an interest rate of 12 month Libor + 2.35% for the first year, to be escalated yearly to reach 12 month Libor + 2.65% in the fifth year, and payable every quarter. The loan has an interest rate floor of 7.6% and a cap of 10.9%.

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

Foreign Bank Loan:

On April 15, 1999 the Company entered into a 4 year loan agreement with a foreign bank for an amount of US\$10million payable in two equal installments in April 2002 and 2003, accordingly the Company settled US\$5,000,000 in 2002. This loan is subject to an average interest rate of around 7.5% approximately and is paid semi-annually. The Company issued 18 promissory notes in the amount of US\$12,774,303 being the value of principal and interest repayment of which US\$5,197,455 were outstanding as of December 31 2002.

"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 is scheduled for settlement starting February 2001 through 14 semi annual equal payments, and is subject to an interest rate of 7.39% per annum payable semi annually starting August 1998. The loan was fully drawn and two payments in the amount of US\$15.3million were settled in 2002 and two payments in the same amount each were settled in 2001. 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. Moreover, the Company is required to maintain a debt to equity ratio of no more than 20% and to maintain a US\$75million of cash and cash equivalents.

On December 10, 1999, the lending bank agreed to increase the debt to equity ratio to 25% till September 30, 2001 with an increase to US\$30million in the pledged deposits as security for the loan. On January 15, 2001, the lending bank agreed also to extend the debt to equity ratio of 25% till January 1, 2003 with an increase in the pledged deposit to US\$37million. This pledged deposit will be reduced to US\$30million after that date, when the debt to equity ratio goes back to 20%.

For the purpose of partially financing the waste treatment project which costs 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. This loan can be drawn up to June 29, 2002 (extended to December 29, 2002). Total withdrawals up to December 31, 2002 amounted to US\$20,260,624 (US\$12,026,694 up to December 31, 2001). This loan is paid in 9 equal semi-annual installments. The first installment was due on June 30, 2002; however, it was postponed to December 29, 2002 and settled on that date and thus the balance of the loan amounted to US\$16,203,744 as at December 31, 2002. This loan is subject to an interest rate of three 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, the Company should maintain the number of treasury shares below 11,610,000 shares.

Notes to the Financial Statements *for the year ended December 31, 2002*

Local Bank Loan:

In July 2001, a complementary loan agreement in the amount of US\$10million was signed with a resident foreign bank. An amount of US\$6,779,298 has been drawn up to December 31, 2002 (US\$5,762,623 up to December 31, 2001), the Company shall repay the aggregate principal in 10 equal semi-annual installments commencing on October 25, 2004 and ending on the final maturity date being April 27, 2009. The loan is subject to an interest rate of 3 month Libor plus 1%. The Company shall maintain a pledged fund 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\$14,709,252 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. 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. It 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\$3,566,993 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.

14. 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 represent contribution in kind of properties in the BCD, based on the resolutions of the High Appraisal Committee. All Class A shares are deemed to have been issued and outstanding since the formation of the Company.

Class "B", amounting to 65,000,000 shares represent capital subscription in cash and are all issued and fully paid.

As of December 31, 2002 and December 31, 2001, the Company had 8,870,000 "A" shares listed on the London Stock Exchange in the form of Global Depository Shares (GDS).

15. Legal Reserve

In conformity with the Company's articles of incorporation and the Lebanese commercial law, 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. An amount of US\$4,114,017 was transferred to this reserve for 2002 (US\$191,448 for 2001).

16. Treasury Shares

Treasury shares represent 9,583,339 class (A) and (B) shares (9,237,167 shares as of December 31, 2001), of which 1,004,004 shares are subject to an option as described in note 12.

The treasury shares outstanding as of December 31, 2002 were marked to market except for the treasury shares sold with a sale back option, which were adjusted to net realizable value. The resulting loss of US\$13,111,972 for the year ended December 31, 2002 (US\$6,912,453 for the year ended December 31, 2001) was charged to retained earnings. This amount resulted mainly from stating the treasury stock sold with a sale back option, which were exercised in 2002, at year end share market price after being marked down to net realizable value.

According to the 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. The Treasury shares held by the Company for a period exceeding eighteen months as of December 31, 2002 amounted to 4,532,060 shares.

The number of treasury shares held by the Company as of December 31, 2002 and 2001 are broken down as follows:

<i>December 31,</i>	Shares in thousands	
	2002	2001
Shares acquired through trading activities:		
Shares held for less than 18 months	389	-
Shares held for over 18 months	4,532	43
Shares subject to a sale back option (Note 12)	1,004	7,000
	<u>5,925</u>	<u>7,043</u>
Shares reverting to the Company from recuperated properties	3,658	2,194
Total number of treasury shares	<u>9,583</u>	<u>9,237</u>

According to the Company's in-house legal counselor, shares reverting to the Company from recuperated properties are not subject to the 18 month limitation imposed by the Company's Articles of Incorporation.

17. Net Revenues from Land and Real Estate Sales

Net revenues from land and real estate sales include the following:

<i>December 31,</i>	2002 US\$	2001 US\$
Sales of land	122,134,524	63,045,093
Sales of real estate properties	6,767,565	14,493,657
Less: Cost of land sales	(62,571,015)	(33,743,992)
Cost of real estate properties sales	(5,482,852)	(11,499,995)
Net result of cancellation of sales	<u>(1,780,000)</u>	<u>(3,154,717)</u>
	<u>59,068,222</u>	<u>29,140,046</u>

The loss on cancellation of sales represent the net profit on previously recognized sale transactions which were cancelled during the years ended December 31, 2002 and 2001, as a result the built up area related to these transactions reverted back to the Company.

Notes to the Financial Statements for the year ended December 31, 2002

18. Net Revenues from Rented Properties

Net revenues from rented properties include the following:

December 31,	2002 US\$	2001 US\$
Rent	14,080,743	10,621,270
Less: Depreciation expense	(2,478,969)	(2,184,133)
Real estate taxes	(2,022,468)	(1,350,000)
Maintenance and other related expenses, net	(1,210,589)	(1,126,461)
	8,368,717	5,960,676
Other related (expense) income, net	(32,001)	148,703
	<u>8,336,716</u>	<u>6,109,379</u>

19. General and Administrative Expenses

General and administrative expenses is composed of the following:

December 31,	2002 US\$	2001 US\$
Salaries, benefits and related charges	5,605,125	4,803,605
Board of directors' remunerations	144,000	144,000
Administrative expenses	3,538,645	3,580,336
	<u>9,287,770</u>	<u>8,527,941</u>

The head-count of the Company as of December 31, 2002 was 275 (263 at the end of 2001).

In addition to the above, salaries, benefits and related charges in the aggregate of US\$3.2 million were reallocated to cost during 2002 (US\$2.8 million in 2001).

20. Earnings per Share

The computation of earnings per share is based on net income before non-recurring financial income 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 155,452,260 shares in 2002 and 154,904,275 shares in 2001.

21. 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,	2002 US\$	2001 US\$
Non cash trade-in of common shares against recuperated properties	(86,582)	(1,101,860)
Increase in receivables from recuperated properties	582,126	-
Cash proceeds from recuperation	(387,006)	(3,659,497)
Increase/(decrease) in receivables from recuperated properties	<u>108,538</u>	<u>(4,761,357)</u>

During the year ended December 31, 2002 the Company reached an agreement with the owner of one of the previously recuperated properties, whereby the latter agreed to pay the unrecorded interest on his outstanding balance dating back to several years ago. As a result an amount of US\$582,126 was recorded as a receivable from recuperated properties against interest income for the year ended December 31, 2002.

b. Depreciation was applied as follows:

December 31,	2002 US\$	2001 US\$
Depreciation of fixed assets - Note 8	1,250,896	1,762,495
Depreciation of investment properties - Note 7	2,478,969	2,184,133
Less: Depreciation allocated to the cost of property held for development and sale	(185,325)	(468,640)
Depreciation expense for the year	<u>3,544,540</u>	<u>3,477,988</u>

c. Non-cash transactions in the operating activities include sales of built up area for an amount of US\$1,647,092 against treasury shares during the year ended December 31, 2002.

d. Non-cash transactions in the investing activities include an amount of US\$3,825,000 which was transferred from prepayments and other debit balances to fixed assets.

e. Non-cash transactions in the investing activities include an amount US\$291,024 which was transferred from properties held for development and sales to fixed assets.

f. Non-cash transactions in the investment activities include an amount of US\$5,453,772 which was transferred from investment properties to properties held for development and sales.

22. 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 sqm 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, 2002 amounted to approximately US\$83million.

d. A lawsuit was raised in 1999 against the Company by the "CDR" claiming reimbursement of an amount of LL.5.4billion (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. 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.

On the other hand, the Company had 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 not approved nor confirmed by the concerned party nor recorded as receivables in the accompanying financial statements.

Notes to the Financial Statements *for the year ended December 31, 2002*

- 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 sqm and 556,340 Class A shares in exchange for approximately 15,000 sqm and the payment of US\$38million to restore governmental buildings. US\$25million has already been paid and the balance of US\$13.7million is 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 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.
- g. In prior years, 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 receivable in the accompanying financial statements.
- h. The Company has as of December 31, 2002 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. Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral.
- 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 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 sqm against ceding of owners' shares from both lots. Additionally, a built up area of 5,335 sqm remains as a contingent loss to the Company in case the prelacy decides to build this area within the next 10 years.

23. Related Party Transactions

The Company was engaged in certain transactions with directors on the board, mainly related to the following:

- a. Certain directors are members on the Boards of banks with whom the Company has various banking activities.
- b. As outlined in Note 12, management sold during 1999, 7million share at \$7 per share with a sale back option at an average strike price of \$8.4 per share. The option is to be exercised by the buyers within two to three years period subject to certain conditions. This transaction was partially executed with banks, whose directors are also directors of the Company's board, and with other major shareholders.

24. 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 except for non-interest earning accounts receivable aggregating US\$7million (US\$11million in 2001) which are stated at face value pending formulation of maturity schedules. Management represents that these balances will be structured as interest earning financial assets in the course of the year 2003 and net fair value presentation will be regularly assessed thereafter.

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 credit risk exposure is spread over 88 counter-parties; 4 customers constitute 39% of the total exposure and 84 customers constitute the remaining 61%.

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.

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 had started since the end of the year 2000 considering various options to reschedule or refinance the two US\$100million bullet loans that mature in April and December of 2003. The Board had discussed various proposals, which were received from the existing and potential lenders, and made a decision to reschedule and refinance these loans. During the year 2003, the Company managed to refinance the US\$100million loan which matures on April 3, 2003. The Company continued its negotiations with various financial institutions in order to decide before year end of 2003 on the most advantageous refinancing or rescheduling arrangements for the loan that matures on December of 2003.

25. Reclassifications

Certain 2001 account balances in the corresponding financial statements were reclassified to conform with current period presentation.

26. Approval of Financial Statements

The Board of Directors approved the financial statements for the year ended December 31, 2002 on April 1, 2003.