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 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, 2004 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 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, 2004 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 30, 2005

Deloitte & Touche

Ernst & Young

Balance Sheet

December 31,	Notes	2004 US$	2003 US$
Assets			
Cash and bank balances	3	101,122,478	89,700,337
Prepayments and other debit balances	4	15,724,778	12,629,518
Accounts and notes receivable, net	5	210,894,461	190,852,815
Held-to-maturity investments	6	3,650,907	-
Properties held for development and sale, net	7	1,606,321,475	1,633,167,383
Investment properties, net	8	158,720,275	166,951,014
Fixed assets, net	9	18,683,557	20,283,276
Total Assets		**2,115,117,931**	**2,113,584,343**
Liabilities			
Accounts payable and other liabilities	10	76,778,392	64,300,720
Dividends payable	11	11,430,866	12,166,888
Deferred revenues and other credit balances	12	61,583,981	19,066,509
Deferred credits	13	35,911,930	35,911,930
Loans from banks and financial institutions	14	234,050,237	319,567,995
Total Liabilities		**419,755,406**	**451,014,042**
Shareholders' Equity			
Issued capital at par value US$10 per share:	15		
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	16	35,864,534	30,454,144
Retained earnings		82,876,670	16,972,617
Change in fair value of interest rate swap agreement		(3,557,815)	(6,452,074)
Less: Treasury shares	11 & 17	(69,820,864)	(28,404,386)
Total Shareholders' Equity		**1,695,362,525**	**1,662,570,301**
Total Liabilities and Shareholders' Equity		**2,115,117,931**	**2,113,584,343**

The accompanying notes form an integral part of these statemetns

Statement of Income

December 31,	Notes	2004 US$	2003 US$
Net revenues from land and real estate sales	18	82,522,304	35,209,434
Net revenues from rented properties	19	11,519,521	9,620,108
Gain on sale of investment properties	8	1,695,723	749,394
Revenues from operations		**95,737,548**	**45,578,936**
General and administrative expenses	20	(10,057,472)	(9,237,392)
Depreciation	9	(1,129,359)	(1,101,733)
Provision for doubtful receivables and write-offs	4 & 5	(739,083)	-
Provision for contingencies and other charges		(1,820,362)	-
Total operating expenses		**(13,746,276)**	**(10,339,125)**
Net income from operations		81,991,272	35,239,811
Interest income		8,281,358	5,672,856
Interest expense	13 & 14	(26,045,835)	(23,675,550)
Cost of discounting notes receivable	5	-	(805,161)
Net income for the year before tax		64,226,795	16,431,956
Accrued income tax	10	(10,122,897)	-
Net income for the year		**54,103,898**	**16,431,956**
Basic earnings per share	21	**0.3400**	**0.1042**

The accompanying notes form an integral part of these statements

Statement of Cash Flows

December 31,	Notes	2004 US$	2003 US$
Cash flows from operating activities:			
Net income for the year before income tax		64,226,795	16,431,956
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	22	4,015,140	3,983,489
Gain on sale of investment properties		(1,695,723)	(749,394)
Cost of discounting notes receivables		-	805,161
Provision for doubtful receivables and write-offs		739,083	-
Provision for contingencies		1,820,362	-
Sales transactions against acquisition of treasury shares	22	18,273,003	-
Loss from cancellation of sales		6,000,000	-
Changes in assets and liabilities:			
Prepayments and other debit balances		(3,265,681)	393,233
Accounts and notes receivable	22	(26,846,226)	6,662,408
Properties held for development and sale	22	27,550,993	3,126,689
Accounts payable and other liabilities	22	3,428,672	(44,809,184)
Deferred revenues and other credit balances	22	48,953,635	(15,237,274)
Net cash provided by/(used in) operating activities		143,200,053	(29,392,916)
Cash flows from investing activities:			
Bank term deposits		2,548,454	(9,157,107)
Held-to-maturity investments		(3,650,907)	-
Receivable from recuperated properties	22	327,206	163,577
Proceeds from sale of investment properties		11,084,658	4,775,018
Acquisition of fixed assets		(954,942)	(915,526)
Investment properties		(3,323,760)	(711,791)
Net cash provided by/(used in) investing activities		6,030,709	(5,845,829)
Cash flows from financing activities:			
Bank loans (settlement)		(85,517,758)	(510,191)
Dividends paid	11	(736,022)	(385,042)
Proceeds from discounting notes receivable	5	-	11,501,966
Deferred credits	13	-	29,899,930
Treasury shares	22	(49,006,387)	(333,848)
Net cash (used in)/provided by financing activities		(135,260,167)	40,172,815
Net change in cash and cash equivalents		13,970,595	4,934,070
Cash and cash equivalents — Beginning of the year		21,348,337	16,414,267
Cash and cash equivalents — End of the year	3	**35,318,932**	**21,348,337**

The accompanying notes form an integral part of these statements

Statement of Changes in Shareholders' Equity

	Share Capital US$	Legal Reserve US$	Treasury Shares US$	Retained Earnings US$	Change in Fair Value of Interest Rate Swap Agreement US$	Total US$
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
Effect of mark down of treasury shares — Note 17	-	-	230,150	(230,150)	-	-
Net income for the year	-	-	-	16,431,956	-	16,431,956
Allocation to legal reserve	-	1,643,196	-	(1,643,196)	-	-
Dividends — Note 11	-	-	19,359,285	(19,625,550)	-	(266,265)
Treasury shares activity	-	-	(363,325)	-	-	(363,325)
Change in fair value of interest rate swap Agreement — Note 10	-	-	-	-	(2,549,554)	(2,549,554)
Balance at December 31, 2003	**1,650,000,000**	**30,454,144**	**(28,404,386)**	**16,972,617**	**(6,452,074)**	**1,662,570,301**
Effect of mark up of treasury shares — Note 17	-	-	(17,210,545)	17,210,545	-	-
Net income for the year	-	-	-	54,103,898	-	54,103,898
Allocation to legal reserve	-	5,410,390	-	(5,410,390)	-	-
Treasury shares trade and land sale exchange	-	-	(24,205,933)	-	-	(24,205,933)
Change in fair value of interest rate swap Agreement — Note 10	-	-	-	-	2,894,259	2,894,259
Balance at December 31, 2004	**1,650,000,000**	**35,864,534**	**(69,820,864)**	**82,876,670**	**(3,557,815)**	**1,695,362,525**

The accompanying notes form an integral part of these statements

Notes to the Financial Statements for the year ended December 31, 2004

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.

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. This resolution becomes effective upon obtaining the approval of the Council of Ministers which is not yet issued.

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. Starting May 10, 2004, the Company became subject to corporate income tax.

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 in 2005.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board (ISAB) and the interpretations issued by the International Financial Reporting Interpretations Committee.

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

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

d. Held-to-Maturity Securities:

Investment 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. 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.

e. Offsetting:

Financial assets and financial liabilities are only offset and the net amount 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 and general and administrative expenses, 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 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 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. 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.

Notes to the Financial Statements for the year ended December 31, 2004

i. 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 weighted average cost, or year-end market price in case market price is below par. Adjustments arising from revaluation are taken to retained earnings. 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.

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

k. 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.

l. 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 or with sale and buy back options, whereby materialization is dependent on the outcome of uncertain events beyond the control of both the seller 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 part of treasury shares in equity.

m. 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.

n. 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 cash flow hedging instrument, 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.

o. Taxation:
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.

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 property tax in accordance with the Lebanese tax law.

p. 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.

q. 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.

3. Cash and Bank Balances

Cash and bank balances are composed of the following:

December 31,	2004 US$	2003 US$
Cash on hand	95,266	108,883
Current accounts	35,223,666	21,239,454
	35,318,932	21,348,337
Term deposits	65,803,546	68,352,000
	101,122,478	89,700,337

Term deposits mature in January 2005 (December 31, 2003: Term deposits mature in January 2004). The average yield on the term deposits for the year 2004 was approximately 4.43% (2.25% for 2003).

Term deposits include an amount of US$18.5million as of December 31, 2004 (US$30million as of December 31, 2003) pledged against the loan provided to the Company and guaranteed by "COFACE" as explained in Note 14. It also includes deposits of US$12.7million (US$13.7million as of December 31, 2003) pledged against a stand-by letter of credit to the extent of about US$3.5million (US$3.5million as of December 31, 2003) and a deposit pledged against a local bank loan to the extent of US$10.2million (US$10.2million as of December 31, 2003) as explained under Note 14 and Note 24 (h).

In the cash flow statement, 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:

December 31,	2004 US$	2003 US$
Accrued interest income	6,981,201	5,867,842
Prepaid expenses	396,648	544,725
Advance payments to contractors	1,585,821	2,202,365
Advances to employees	1,821,654	1,274,960
Other debit balances	5,109,874	2,739,626
Provision for doubtful balances	(170,420)	-
	15,724,778	12,629,518

Other debit balances include investments in non-consolidated subsidiaries amounting to US$170,974 as of December 31, 2004 (US$160,974 as of December 31, 2003) which are carried at cost as they are not material and consist of 10 inactive subsidiaries (9 subsidiaries in 2003). The principal activity of these subsidiaries, which are incorporated in Lebanon, is to acquire, construct, lease and manage real estate properties in the BCD.

5. Accounts and Notes Receivable, Net

Accounts and notes receivable are composed of the following:

December 31,	2004 US$	2003 US$
Notes receivable	208,680,815	140,297,350
Accounts receivable	25,555,779	57,926,935
Receivables from tenants	2,285,503	10,917,458
Interest receivable on discounted notes	1,395,039	2,359,854
Less: Unearned interest	(26,800,743)	(16,312,672)
Less: Provision for problematic receivables	(221,932)	(4,336,110)
	210,894,461	190,852,815

The Company's credit risk exposure is spread over 89 counter-parties; 6 customers constitute 48% of the total exposure and 83 customers constitute the remaining 52% as of December 31, 2004 (73 counter-parties; 7 customers constitute 34% of the total exposure and 66 customers constitute the remaining 66% as of December 31, 2003).

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

December 31,	2004 US$	2003 US$
Doubtful balances	349,560	7,878,144
Overdue	1,512,002	1,624,574
2004	-	45,354,844
2005	64,120,301	30,703,434
2006	50,937,123	27,423,832
2007	44,719,734	19,140,953
2008	17,527,924	7,874,207
2009	12,247,719	297,362
2010 and thereafter	17,266,452	-
	208,680,815	140,297,350

The provision for problematic receivables has been established to meet probable defaults of certain clients whose notes receivable aggregate to US$349,560 as of December 31, 2004 (US$7,878,144 as of December 31, 2003). During 2004, the Company used US$4,336,110 from this provision against cancelled sales contracts (2003: US$2,225,000).

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

	2004 US$	2003 US$
Balance at the beginning of the year	4,336,110	6,561,110
Additions	221,932	-
Write-offs	(4,336,110)	(2,225,000)
Balance at the end of the year	221,932	4,336,110

During 2003, the Company signed an agreement to discount without recourse, notes receivable representing maturities of principal, having an aggregate face value of US$12,680,730. The net proceeds from these transactions amounted to US$11.5million. Interest on these notes, having a present value of US$750,931 at the date of the transaction, remains due to the Company on the pre-determined maturity dates and is still recognized in the balance sheet under accounts and notes receivable. An amount of US$427,833 representing the net cost of discounting was charged to the statement of income for the year 2003.

6. Held-To-Maturity Investments

During 2004, the Company purchased several investments issued by foreign financial institutions for a total cost of US$10,000,000. An amount of US$6,500,000 of the price was financed by a foreign bank. The financial assets and the financial liabilities resulting from this transaction 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.

The details of the above investments are as follows as of 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$
USD Spread Callable Range Accrual Note	23/02/2014	5,000,000	2,344,093	2,655,907	6.1 (A)	3ML[2] + 0.75%	5,006,500
10-year USD Callable Range Accrual Note[1]	8/01/2014	2,000,000	1,000,000	1,000,000	6-13 (B)	3ML[2] + 0.75%	2,000,000
10-year USD Libor Callable Range Accrual Note[1]	12/11/2014	1,000,000	1,005,000	(5,000)	7.5 (C)	6ML[2] + 0.5%	1,000,000
4 year CPU MULTIPLUS on Asian Indices	5/03/2008	2,000,000	2,000,000	-	6 (D)	1YL[2] + 0.75%	2,002,400
		10,000,000	6,349,093	3,650,907			10,008,900

1 All these notes have a call provision. The issuer has the right to repay the notes early at par (100%) for the first three months/six months after payment date and on every coupon date thereafter by giving no less than 5 business days notice.

2 L=Libor

(A) Coupon is 6.1% payable quarterly, subject to the spread between the 30-year USD Swap Rate and the 2-year USD Swap Rate.

(B) Coupon is payable quarterly and increases from 6% in year 1 to 13% in year 10 subject to Libor barrier ranging from 4% in year 1 to 7.5% in year 10 not being breached.

(C) Coupon is 7.5% payable semi-annually subject to Libor barrier ranging from 4% in year 1 to 9% in year 10 not being breached.

(D) The payout of the 4-year CPU MULTIPLUS on Asian Indices is dependent on the performance of the related 3 indices the security is composed of. For every quarter where all 3 indices perform positively, the performance is replaced with a value of 6%, for all other quarters where one or more of the indices give a negative performance, the basket's actual performance is taken into account. At maturity, the issuer has the obligation to redeem the initial denomination at 100% in addition to the bonds performance, subject to a minimum of 106%, giving a minimum return of 6% over the 4 years.

7. Properties Held for Development and Sale, Net

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

December 31,	2004	2003
	US$	US$
Land and land development works, net (a)	1,458,555,993	1,504,841,907
Real estate development projects, net (b)	147,765,482	128,325,476
	1,606,321,475	1,633,167,383

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

December 31,	2004	2003
	US$	US$
Acquired properties (a.1)	957,290,502	956,205,579
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	609,496,262	594,430,695
Eviction costs (a.4)	259,962,995	259,913,068
Capitalized costs (a.5)	55,371,924	51,540,645
Cumulative costs	1,891,534,485	1,871,502,789
Less: Cost of land sold, net	(356,800,726)	(290,483,116)
Less: Cost of land transferred to real estate development projects	(71,888,653)	(71,888,653)
Less: Cost of infrastructure transferred to real estate development projects	(4,289,113)	(4,289,113)
	1,458,555,993	1,504,841,907

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 million were recuperated by original owners and properties appraised at US$133 million were not claimed for recuperation.

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

a.3 Infrastructure costs include an amount of US$279million (US$279million as of December 31, 2003) relating to the sea front defense and marina works, an amount of US$141million (US$137million as of December 31, 2003) relating to infrastructure works executed in the traditional BCD area, and an amount of US$72million (US$69million as of December 31, 2003) 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, 2003), and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$37.9million (US$36.7million up to December 31, 2003). During the year ended December 31, 2004, borrowing costs of US$1.1million were capitalized (US$1.3million for the year ended December 31, 2003).

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, 2004 (US$21.8million as of December 31, 2003) 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 2004 amounted to US$3.8million (US$4million for 2003).

(b) Real estate development projects include the following:

December 31,	2004	2003
	US$	US$
Construction and rehabilitation of buildings	308,866,747	289,372,750
Cost of land	71,888,653	71,888,653
Cumulative costs	380,755,400	361,261,403
Less:		
Cost transferred to investment properties, net	(170,722,946)	(170,668,955)
Cost transferred to fixed assets	(18,102,717)	(18,102,717)
Cost of real estate sold	(44,164,255)	(44,164,255)
	147,765,482	128,325,476

8. Investment Properties, Net

Investment properties are composed of the following:

	Balance as at December 31, 2003	Additions	Transfer from Properties Held for Development and Sale	Transfers from Fixed Assets	Disposals and Sale	Balance as at December 31, 2004
	US$	US$	US$	US$	US$	US$
Cost:						
Land	45,809,623	-	-	-	(2,598,330)	43,211,293
Buildings	124,544,415	2,617,027	53,991	666,225	(7,299,589)	120,582,069
Marina	4,289,113	549,009	-	-	-	4,838,122
Other assets	3,289,006	157,724	-	-	-	3,446,730
	177,932,157	3,323,760	53,991	666,225	(9,897,919)	172,078,214
Accumulated Depreciation:						
Buildings	9,279,508	2,455,116	-	-	(508,984)	11,225,640
Marina	84,112	85,780	-	-	-	169,892
Other assets	1,617,523	344,884	-	-	-	1,962,407
	10,981,143	2,885,780	-	-	(508,984)	13,357,939
Net Book Value	166,951,014					158,720,275

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 the use by an international agency, residential complexes, an embassy complex, and other restored buildings.

During the year ended December 31, 2004, the Company sold several properties having an aggregate net book value of US$9.4million for total proceeds of US$11million which resulted in a gain of US$1.7million recorded in the income statement (net book value of US$4million, total proceeds of US$4.7million and gain of US$749 thousands for the year ended December 31, 2003).

The fair value of the investment properties is estimated by management at around US$245million based on current market prices (US$189million as of December 31, 2003).

9. Fixed Assets, Net

Fixed assets are composed of the following:

	Balance as at December 31, 2003	Additions	Transfers to Investment Properties	Disposals	Balance as at December 31, 2004
	US$	US$	US$	US$	US$
Costs:					
Land and buildings	14,346,582	53,190	(666,225)	-	13,733,547
Furniture and fixtures	1,992,593	179,105	-	-	2,171,698
Freehold improvements	2,675,426	238,944	-	-	2,914,370
Plant	1,853,266	-	-	-	1,853,266
Machines and equipment	9,900,323	526,765	-	(43,063)	10,384,025
	30,768,190	998,004	(666,225)	(43,063)	31,056,906
Accumulated Depreciation:					
Buildings	960,221	189,484	-	-	1,149,705
Furniture and fixtures	1,384,437	179,333	-	-	1,563,770
Freehold improvements	1,295,841	240,788	-	-	1,536,629
Plant	741,078	185,326	-	-	926,404
Machines and equipment	6,103,337	1,093,504	-	-	7,196,841
	10,484,914	1,888,435	-	-	12,373,349
Net Book Value	20,283,276				18,683,557

The depreciation for the year ended December 31, 2004 was split between an allocation to properties held for development and sale and a charge to the statement of income of US$759,075 and US$1,129,359, respectively (US$759,076 and US$1,101,733, respectively, for the year ended December 31, 2003).

10. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following:

December 31,	2004	2003
	US$	US$
Notes payable (a)	-	1,983,859
Accounts payable (b)	39,486,385	41,549,806
Accrued charges and other credit balances (c)	13,164,078	5,914,788
Accrued income tax (d)	10,122,897	-
Provision for end-of-service indemnity and other charges (e)	3,300,801	1,509,263
Liability under interest rate swap agreement (f)	3,540,509	6,434,768
Accrued disputed claims	-	1,000,000
Accrued interest	7,163,722	5,908,236
	76,778,392	64,300,720

a. Notes payable outstanding as of December 31, 2003 are due to a contractor and were paid in the first half of the year 2004. These notes were subject to an interest rate of 6 months Libor plus 3.5% per annum.

b. Accounts payable as of December 31, 2004 and December 31, 2003 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 24(f).

c. Accrued charges and other credit balances as of December 31, 2003 include an amount of US$2.1million representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. In 2003, the Company recognized a liability against the cash proceeds since the outcome of the subject arbitration was not yet certain. In August 10, 2004, there was a final resolution between the Company and the contractor.

   Accrued charges and other credit balances as of December 31, 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.

d. Accrued income tax amounting to US$10.1million as of December 31, 2004 represents tax on income for the period from May 10, 2004 to December 31, 2004. The applicable tax rate is 15% according to the Lebanese tax laws. The tax returns for this period 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.

   The accrued income tax was estimated as follows:

	US$
Income before tax	64,226,795
Non deductible losses pertaining to the Tax exemption period	4,612,200
Non deductible provisions and charges	4,651,085
Rent revenue from built up property (Net)	(6,004,099)
Taxable income	67,485,981
Applicable tax rate	15%
Accrued income tax	10,122,897

   In addition to the accrued income tax, property tax in the amount of US$2million was set up under the caption "Net Revenue from Rented Properties".

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

	2004 US$	2003 US$
Balance at the beginning of the year	1,509,263	1,216,611
Additions	1,820,362	300,000
Settlements	(28,824)	(7,348)
Balance at the end of the year	3,300,801	1,509,263

f. 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 were to be set up at the beginning of each of the 5 years. This instrument was designated to hedge the Libor rate fluctuations on the US$100million term loan.

On December 1, 2003, the Company restructured the swap agreement whereby it replaced the previous agreement by entering into a 3 year interest rate swap agreement effective December 15, 2003 on a notional amount of US$100million. This agreement calls for the receipt and payment of interest at rates which are to be set up at the beginning and at the end of each of the 3 years, respectively. During the three year period of the agreement, the interest rate to be received is 12-month Libor set up at the beginning of each period (in advance), and the interest rate to be paid is 12-month Libor set up at the end of each period (in arrears) plus 1.4%. Accordingly, the Company settled US$2,905,125 included under "Interest expenses" in the statement of income for the year ended December 31, 2004.

As of December 31, 2004, 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$3,557,815 as of December 31, 2004 (negative US$6,452,074 as of December 31, 2003). The change in valuation which amounted to positive US$2,894,259 for the year ended December 31, 2004 (negative US$2,549,554 for the year ended December 31, 2003) was recorded under shareholders equity under "Change in fair value of interest rate, swap agreement".

On February 25, 2005, the Company restructured the long term loan of US$100million (Note 14) and thereby restructured the interest rate swap agreement by replacing the old agreement by two new agreements in line with the restructuring of the loan.

The first contract extends for a period of two years effective December 20, 2004 on 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 at 6.5%.

The second contract extends for a period of 18 months from April 21, 2005 till October 21, 2006 on 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 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.

11. Dividends Payable

The breakdown of dividends payable is summarized as follows:

December 31,		2004			2003
General Assembly Date	Dividend per Share	Declared	Paid	Payable	Payable
	US$	US$	US$	US$	US$
June 29, 1996	0.20	30,918,413	28,541,984	2,376,429	2,521,991
June 30, 1997	0.25	40,367,172	36,453,326	3,913,846	4,131,026
June 29, 1998	0.25	39,351,753	34,457,259	4,894,494	5,258,183
June 23, 2003	stock dividend			246,097	255,688
				11,430,866	12,166,888

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

The shareholders' ordinary general assembly held on June 23, 2003 declared a stock dividend of 1 share for each 40 shares to be distributed, from the Company's class (A) treasury shares portfolio. Accordingly, 3,871,857 (A) shares were distributed for a total value of US$19.4million (at market price). Undistributed shares and fraction shares dividends amounted to US$246,097 as of December 31, 2004 (US$255,688 as of December 31, 2003).

12. Deferred Revenues and Other Credit Balances

Deferred revenues consist of the following:

December 31,	2004 US$	2003 US$
Cash down payments and commitments on sale contracts	48,194,170	13,485,684
Deferred rental revenue and related deposits	13,389,811	5,580,825
	61,583,981	19,066,509

Cash down payments and commitments on sale contracts amounting approximately to US$42million relate to 19 sale contracts with an aggregate potential gross sales value of US$84million as of December 31, 2004 (US$12million relating to 18 sale contracts with an aggregate potential gross sale value of US$102million as of December 31, 2003). This caption also includes down payments totaling US$1.8million (US$1.7million as of December 31, 2003) 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.

13. Deferred Credits

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 lapse, the proceeds will be reflected as deferred credit.

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 lapse, the proceeds will be reflected as deferred credit.

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 has a buy back option at the same strike price. Until such time as the Company's commitment to buy back these shares lapse, the proceeds will be reflected as deferred credits.

Interest in the amount of US$4,195,507 has been accrued on the above deferred credits up to December 31, 2004 (US$1,760,839 up to December 31, 2003).

14. Loans from Banks and Financial Institutions

This caption consists of the following:

December 31,	2004 US$	2003 US$
Short term local bank loan		
(maximum draw down US$20million)	-	16,000,000
Short term local financial institution facility	-	10,171,250
Two syndicated loans	160,000,000	200,000,000
"COFACE" guaranteed loan	45,982,285	61,309,715
Syndicated loan (maximum draw down US$22million)	6,944,462	11,574,103
Local bank loan (maximum draw down US$10million)	9,000,000	7,909,837
Loan guaranteed by Export - Import Bank		
of the United States	12,123,490	12,603,090
	234,050,237	319,567,995

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

December 31,	2004 US$	2003 US$
2004	-	48,179,612
2005	44,651,179	24,059,655
2006	142,336,357	221,744,835
2007	40,021,537	19,430,015
2008	4,694,109	4,102,586
2009	2,347,055	2,051,292
	234,050,237	319,567,995

Short Term Local Bank Loan:

On April 8, 2003, the Company entered into a short term loan agreement with a local bank for an amount of US$20million to be withdrawn in multiples of US$2million between March 31, 2003 and September 30, 2003, and to be repaid in three, six or nine months from withdrawal date. This short term loan is subject to an interest rate of 3 month Libor +3.5% (with a floor of 6.75%). The Company has withdrawn this amount during 2003 and it was settled during 2004.

Short Term Local Financial Institution Facility:

During 2003, the Company signed three promissory notes in the amounts of US$10,201,667, US$5,099,167 and US$10,513,750 which mature on August 14, 2003, September 12, 2003 and July 2, 2004, respectively. These notes bear a weighted average interest rate of 6.34% per annum. These facilities were fully settled in June 29, 2004.

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 a 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 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.

To settle part of this 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 2, 2005. This loan is subject to an interest rate of 3 month Libor + 2.5 % yearly, payable quarterly upon the maturity of the installments. The total amount of this loan will be withdrawn on April 21, 2005.

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 a 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, payable quarterly. The loan has an interest rate floor of 7.6% and a cap of 10.9%. To refinance this loan, the Company entered on December 1, 2003 into a three year loan agreement with a syndicate of banks for an amount of US$100 million payable in December 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 loan agreement includes a voluntary full prepayment clause. In this connection, the Company settled the loan on December 20, 2004.

To settle part of this loan, 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 is required to maintain a debt to equity ratio below 25%, and the Company should maintain ownership of not less than 1million square meters of built-up-area free from any security to third party and to maintain net tangible assets of a minimum of US$1billion.

"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 equal payments, and 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 an installment of US$7.66million was made during the first half of 2004 in addition to two installments of US$7.66million each during 2003. 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. 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, 2004 and December 31, 2003 amounted to US$20,260,624. This loan will be repaid in 9 equal semi-annual installments. Five installments in the total amount of US$13,316,162 were made as of December 31, 2004 (three installments in the total amount of US$8,686,521 as of December 31, 2003) and thus the balance of the loan amounted to US$6,944,462 as at 31 December, 2004. 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$1,000,000 was made during 2004 and the balance of the loan amounted to US$9,000,000 as of December 31, 2004. 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. An amount of US$11,458,002 had been drawn up to December 31, 2002. On May 5, 2004 and August 11, 2003, additional amounts of US$867,453 and US$1,145,089 were drawn, respectively, thus increasing the total amount drawn to US$13,470,544 as of December 31, 2004. 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$1,347,054 was made during 2004 and thus the balance of the loan amounted to US$12,123,490 as at December 31, 2004. 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$3,566,993 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.

15. 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, 2004, the Company had 9,091,750 "A" shares listed on the London Stock Exchange in the form of Global Depository Shares (GDS) (8,870,000 "A" shares as of December 31, 2003).

16. 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.

17. Treasury Shares

Treasury shares represent 8,684,834 class (A) and (B) shares as of December 31, 2004 (5,767,727 shares as of December 31, 2003), of which 5,604,004 shares are subject to an option as described in Note 13.

The treasury shares outstanding as of December 31, 2004 were stated at lower of cost or net realizable value. The resulting gain of US$17,210,545 for the year ended 31 December, 2004 was credited to retained earnings (loss of US$230,150 for year 2003).

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 31 December, 2004 amounted to 3,685 shares.

The number of treasury shares held by the Company is broken down as follows:

	Share in Thousands	
December 31,	2004	2003
Shares acquired through trading activities:		
Shares held for less than 18 months	50	104
Shares held for over 18 months	4	54
Shares subject to a sale back option (Note 13)	5,604	5,604
	5,658	5,762
Shares reverting to the Company from recuperated properties	15	6
Shares acquired by the company from sale of properties and held for less than 18 months	3,012	-
Total number of treasury shares	8,685	5,768

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

18. Net Revenues from Land and Real Estate Sales

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

December 31,	2004 US$	2003 US$
Sale of land	169,439,176	67,117,187
Sale of real estate properties	-	15,081,913
Less: Cost of land sales	(80,916,872)	(30,023,874)
Cost of real estate properties sales	-	(15,437,217)
Loss on cancellation of sales	(6,000,000)	(1,528,575)
	82,522,304	35,209,434

The loss on cancellation of sales represents the net profit resulting from previously recognized sale transactions which were cancelled in August 2004 due to the client's inability to meet his commitments. As a result, the built up area related to these transactions reverted back to the Company.

During the year ended December 31, 2004, the Company sold several apartments from its investment properties, which resulted in a gain of US$1,695,723 (gain of US$749,394 for the year ended December 31, 2003) as disclosed in Note 8.

19. Net Revenues from Rented Properties

Net revenues from rented properties include the following:

December 31,	2004 US$	2003 US$
Rent	18,612,382	15,444,652
Less: Depreciation expense	(2,885,780)	(2,881,756)
Real estate taxes	(2,451,150)	(2,277,406)
Maintenance and other related expenses, net	(2,212,086)	(1,521,477)
Expenses related to other rented properties	(342,268)	-
	10,721,098	8,764,013
Other related income, net	798,423	856,095
	11,519,521	9,620,108

20. General and Administrative Expenses

General and administrative expenses is composed of the following:

December 31,	2004 US$	2003 US$
Salaries, benefits and related charges	6,551,022	5,611,159
Board of directors' remunerations	144,000	144,000
Administrative expenses	3,362,450	3,482,233
	10,057,472	9,237,392

In addition to the above, salaries, benefits and related charges in the aggregate of US$3.4million were reallocated to cost during the year 2004 (US$3.6 million during the year 2003).

21. 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 158,759,725 shares as of December 31, 2004 (157,647,122 shares as of December 31, 2003).

22. 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,	2004 US$	2003 US$
Non cash exchange of company's shares for recuperated properties	(91,290)	(29,476)
Decrease/Increase in receivable from recuperated properties	(19,525)	163,577
	(110,815)	134,101

b. Depreciation was applied as follows:

December 31,	2004 US$	2003 US$
Depreciation of fixed assets - Note 9	1,888,435	1,860,809
Depreciation of investment properties - Note 8	2,885,780	2,881,756
Less: Depreciation allocated to the cost of property held for development and sale - Note 9	(759,075)	(759,076)
Depreciation expense for the year	4,015,140	3,983,489

c. Non-cash transactions for the year ended December 31, 2004 include the change in fair value of interest rate swap agreement in the amount of positive US$2,894,259 (negative US$2,549,554 for the year ended December 31, 2003) presented in the shareholders' equity caption and accounts payable and other liabilities caption.

d. Non-cash transactions in the financing activities include dividends distributed from the Company's treasury shares in the amount of US$19,359,285 for the year ended December 31, 2003.

e. Non-cash transactions in the operating and investing activities include transfers in the amount of US$53,991 from properties held for development and sale to investment properties for the year ended December 31, 2004 (US$22,939,032 for the year ended December 31, 2003).

f. Non-cash transactions in the operating and investing activities include sales of built up area in exchange of treasury shares amounting to US$18,273,003 for the year ended December 31, 2004.

g. Non-cash transactions in the operating activities include unrealized sales of built up area, included under deferred revenue and other credit balances caption in exchange of treasury shares in the amount of US$6,436,163 for the year ended December 31, 2004.

h. Non-cash transactions in the investing activities include transfers from fixed assets to investment properties in the amount of US$666,225 for the year ended December 31, 2004.

23. Related Party Transactions

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Cash and bank balances include US$252,273 as of December 31, 2004 (US$298,632 as of December 31, 2003) representing current bank accounts with a local bank who is a significant but minority shareholder of the Company. Moreover, loans from banks and financial institutions as of December 31, 2003 include a syndicated loan in the amount of US$100 million which was settled during 2004. This loan was managed and financed by the same local bank. Interest expense for the year ended December 31, 2004 relating to this loan amounted to US$8.1 million (US$7.7million for the year ended December 31, 2003).

General and administrative expenses include legal fees in the amount of US$161,799 for the year ended December 31, 2004 related to one of the firm's legal counselors who is also a member in the Company's board of directors (US$180,000 for the year ended December 31, 2003)

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.

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

24. Commitments and Contingencies

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

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

c. Commitments for contracted works not executed as of December 31, 2004 amounted to approximately US$67.9 million (US$76.6 million as of December 31, 2003).

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. 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 58,000m² and 556,340 Class A shares in exchange for approximately 15,000m² 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 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. Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral (Note 3).

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 4,900m² against ceding of owners' shares from both lots. Additionally, a built up area of 5,335m² 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 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.

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.

k. During the year ended December 31, 2004, the Company signed an agreement with Stow Waterfont S.A.L. to form a joint venture company to acquire, develop, operate, manage, exploit, dispose and maintain the Town Quay real estate properties in Beirut city center as well as to operate and maintain the Marina projects. The agreement stipulates that the Company shall contribute a piece of land having a 20,000 m² of built-up area appraised at US$31,600,000, against a contribution of a similar amount in cash by the joint venture partner as of December 31, 2004. Up to the date of the issuance of the financial statements, the ministerial decree permitting the joint-venture to acquire the above land was not yet issued.

25. 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 credit risk exposure is spread over 89 counter-parties; 6 customers constitute 48% of the total exposure and 83 customers constitute the remaining 52%.

c. Interest Rate Risk:

The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest earning assets and interest bearing liabilities.

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.

26. Reclassifications

Certain 2003 account balances in the corresponding financial statements were reclassified to conform with current year presentation.

27. Approval of Financial Statements

The Board of Directors approved the financial statements for the year ended December 31, 2004, in the meeting held on March 30, 2005.