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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (Solidere), which comprise the statement of financial position as at December 31, 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

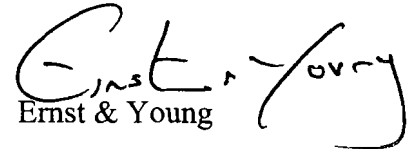
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the separate 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. (Solidere) as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon  
June 11, 2014

  
Deloitte & Touche

  
Ernst & Young

**THE LEBANESE COMPANY FOR THE DEVELOPMENT**  
**AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.**  
**STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
		<u>US\$</u>	<u>US\$</u>
Cash and bank balances	5	164,869,359	148,860,996
Prepayments and other debit balances	6	56,397,224	56,270,690
Accounts and notes receivable, net	7	435,196,235	545,730,346
Investment in asset-backed securities	8	80,601,126	-
Inventory of land and projects in progress	9	1,143,676,320	1,208,248,784
Investment properties, net	10	564,680,342	436,638,362
Investments in joint ventures, subsidiaries and associates	11	286,769,239	295,302,908
Fixed assets, net	12	<u>51,681,135</u>	<u>53,546,681</u>
Total Assets		<u>2,783,870,980</u>	<u>2,744,598,767</u>
 <b><u>LIABILITIES</u></b>  			
Bank overdrafts, short and medium term facilities	13	550,203,396	629,761,338
Accounts payable and other liabilities	14	110,662,985	101,591,258
Dividends payable	15	66,485,375	78,776,194
Deferred revenues and other credit balances	16	55,235,052	58,622,176
Term bank loans	17	<u>123,254,236</u>	<u>37,500,000</u>
Total Liabilities		<u>905,841,044</u>	<u>906,250,966</u>
 <b><u>EQUITY</u></b>  			
Issued capital at par value US\$10 per share:	18		
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		<u>650,000,000</u>	<u>650,000,000</u>
		1,650,000,000	1,650,000,000
Legal reserve	19	153,549,700	149,581,487
Retained earnings		161,137,320	125,423,398
Deficit on treasury shares' activity	20	( 2,446,798)	( 2,446,798)
Less: Treasury shares	20	<u>( 84,210,286)</u>	<u>( 84,210,286)</u>
Total Equity		<u>1,878,029,936</u>	<u>1,838,347,801</u>
Total Liabilities and Equity		<u>2,783,870,980</u>	<u>2,744,598,767</u>

**THE LEBANESE COMPANY FOR THE DEVELOPMENT  
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<u>Notes</u>	<u>Year Ended</u>	
		<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
		US\$	US\$
Revenues from land sales		94,890,673	49,580,377
Revenues from rented properties		51,570,889	54,320,884
Revenues from rendered services	21	<u>8,262,455</u>	<u>7,094,475</u>
Total revenues		<u>154,724,017</u>	<u>110,995,736</u>
Cost of land sales		( 18,660,599)	( 7,122,763)
Depreciation of and charges on rented properties	22	( 21,440,425)	( 25,050,631)
Cost of rendered services	23	( 6,934,448)	( 7,770,937)
Total cost of revenue		<u>( 47,035,472)</u>	<u>( 39,944,331)</u>
Gain on sale and disposal of investment properties	10	<u>4,234,383</u>	<u>4,376,528</u>
Net revenues from operations		111,922,928	75,427,933
General and administrative expenses	24	( 28,313,622)	( 34,142,104)
Depreciation of fixed assets	12	( 3,785,485)	( 5,414,077)
Provision for impairment	11	( 15,000,000)	( 10,000,000)
Write-back of provision for receivables, net	7	417,209	-
Provision for contingencies	14(e)	( 2,300,000)	( 7,986,410)
Other expenses	27	( 3,991,870)	( 121,668)
Other income	25	554,071	1,399,635
Taxes, fees and stamps	14(c)	( 963,425)	( 3,633,255)
Interest income	26	18,640,676	30,190,459
Interest expense	28	( 30,784,354)	( 26,197,185)
Loss on exchange		<u>( 945,208)</u>	<u>( 1,161,064)</u>
Profit before tax		45,450,920	18,362,264
Income tax expense	14 (c)	<u>( 5,768,785)</u>	<u>( 2,322,812)</u>
Profit for the year		39,682,135	16,039,452
Other comprehensive income		-	-
Total comprehensive income for the year		<u>39,682,135</u>	<u>16,039,452</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

THE LEBANESE COMPANY FOR THE DEVELOPMENT  
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.  
STATEMENT OF CHANGES IN EQUITY

	<u>Share Capital</u> US\$	<u>Legal Reserve</u> US\$	<u>Retained Earnings</u> US\$	<u>Deficit on Treasury Shares' activity</u> US\$	<u>Treasury Shares</u> US\$	<u>Total</u> US\$
Balance at December 31, 2011	1,650,000,000	147,977,543	193,048,744	10,166,079	( 134,915,772)	1,866,276,594
Total comprehensive income	-	-	16,039,452	-	-	16,039,452
Allocation to legal reserve from 2012 profit	-	1,603,944	( 1,603,944)	-	-	-
Dividends – Note 15 & 20	-	-	( 82,060,854)	( 12,612,877)	50,705,486	( 43,968,245)
Balance at December 31, 2012	1,650,000,000	149,581,487	125,423,398	( 2,446,798)	( 84,210,286)	1,838,347,801
Total comprehensive income	-	-	39,682,135	-	-	39,682,135
Allocation to legal reserve from 2013 profit	-	3,968,213	( 3,968,213)	-	-	-
Balance at December 31, 2013	<u>1,650,000,000</u>	<u>153,549,700</u>	<u>161,137,320</u>	<u>( 2,446,798)</u>	<u>( 84,210,286)</u>	<u>1,878,029,936</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**THE LEBANESE COMPANY FOR THE DEVELOPMENT  
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.  
STATEMENT OF CASH FLOWS**

	<u>Notes</u>	<u>Year Ended December 31,</u>	
		<u>2013</u>	<u>2012</u>
		<u>US\$</u>	<u>US\$</u>
Cash flows from operating activities:			
Profit for the year before income tax		45,450,920	18,362,264
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	29(a)	12,881,420	14,574,856
Gain on sale and disposal of investment properties	10	( 4,234,383)	( 4,376,528)
(Gain)/loss on sale of fixed assets	25&27	( 37,404)	526
Provision for end-of-service indemnity and other charges	14(d)	816,534	2,302,047
Provision for impairment	11	15,000,000	10,000,000
Additional tax assessment	14(c)	-	2,500,000
Provision for contingencies	14(e)	2,300,000	7,986,410
Write back of provision for receivables	7(c)	( 417,209)	-
Miscellaneous write-off	27	1,663,861	-
Interest income	26	( 18,640,676)	( 30,190,459)
Interest expense	29(b)	33,704,517	29,215,292
Changes in working capital:			
Prepayments and other debit balances	6&29(e)	14,469,754	7,750,764
Accounts and notes receivable	7	110,951,320	( 1,410,686)
Inventory of land and projects in progress	29(c)	( 71,923,035)	( 79,945,316)
Accounts payable and other liabilities	29	( 541,115)	( 12,191,509)
Deferred revenues and other credit balances	29(e)	( 6,675,724)	5,256,996
Interest received		7,649,207	13,618,476
Taxes paid		( 2,322,812)	( 24,320,612)
Net cash provided by/(used in) operating activities		<u>140,095,175</u>	<u>( 40,867,479)</u>
Cash flows from investing activities:			
Short term deposits		( 2,000,000)	1,353,808
Acquisition of fixed assets	12&29	( 2,002,914)	( 7,262,270)
Acquisition of investment properties	10 &29	( 5,959,429)	( 1,785,207)
Proceeds from sale of investment properties	10	6,575,998	6,129,001
Proceeds from sale of fixed assets	12	120,379	12,999
Investments in joint ventures, subsidiaries and associates	11	( 7,103,757)	( 6,493,240)
Investment in asset-backed securities		( 80,601,126)	-
Net cash used in investing activities		<u>( 90,970,849)</u>	<u>( 8,044,909)</u>
Cash flows from financing activities:			
Term bank loans	17	85,754,236	( 12,500,000)
Dividends paid	15	( 12,290,819)	( 44,735,908)
Interest paid		( 29,021,438)	( 29,215,292)
Bank short and medium term facilities	13	( 136,984,987)	40,741,321
Treasury shares		-	( 4,652,007)
Net cash used in financing activities		<u>( 92,543,008)</u>	<u>( 50,361,886)</u>
Net change in cash and cash equivalents	29(f)	( 43,418,682)	( 99,274,274)
Cash and cash equivalents--Beginning of the year		<u>20,896,591</u>	<u>78,377,683</u>
Cash and cash equivalents--End of the year	29(f)	<u>( 64,315,273)</u>	<u>( 20,896,591)</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS