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## INDEPENDENT AUDITORS' REPORT

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

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

### *Management and Directors' Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

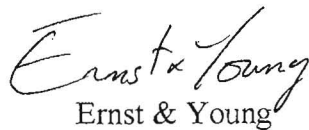
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. as of December 31, 2006, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon  
March 30, 2007

  
Deloitte & Touche

  
Ernst & Young

**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION**  
**OF BEIRUT CENTRAL DISTRICT S.A.L.**  
**CONSOLIDATED BALANCE SHEET**

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

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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

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

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION**  
**OF BEIRUT CENTRAL DISTRICT S.A.L.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2006**

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

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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