

Crédit Commercial et Foncier s.a.l

Financial Statements and Auditor's Reports
31 December 2007

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Independent Auditor's Report to the Shareholders

To the Shareholders
Crédit Commercial et Foncier s.a.l
Beirut, Lebanon

We have audited the accompanying financial statements of Crédit Commercial et Foncier s.a.l, which comprise the balance sheet as of 31 December 2007 and the income statement, cash flows statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The 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.

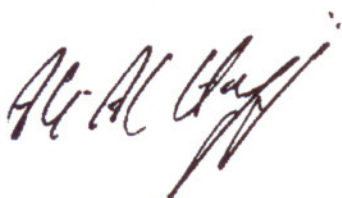
An Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate for 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 financial statements present fairly, in all material respects, the financial position of Crédit Commercial et Foncier s.a.l as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
25 January 2008



Ali Al Hajj

Balance Sheet	Notes	2007	2006
		LL'000	LL'000
<u>Assets</u>			
Cash and Central Bank	4	764,296	1,042,455
Banks and Financial Institutions	5	2,352,287	886,435
Trading Financial Assets	6	688,950	676,000
Loans and Advances to Customers	7	940,987	1,011,194
Loans and Advances to Related Parties	8	30,961	142,020
Financial Instruments Available for Sale	9	2,496,977	3,978,776
Tangible Fixed Assets	10	105,667	118,966
Other Assets	11	43,460	53,402
Total Assets		<u>7,423,585</u>	<u>7,909,248</u>

Balance Sheet	Notes	2007	2006
		LL'000	LL'000
<u>Liabilities</u>			
Banks and Financial Institutions	12	32,678	431,832
Other Liabilities	13	244,394	243,142
Provisions for Risks and Charges	14	2,816	2,790
Employees Retirement Benefit	15	37,750	42,269
Total Liabilities		<u>317,638</u>	<u>720,033</u>
Share Capital	16	5,000,000	5,000,000
Reserves and Premiums	17	1,069,803	1,007,532
Retained Earnings	18	548,652	509,659
Revaluation Reserves on Financial Instruments	19	(72,953)	(116,969)
Profit of the Period ⁱ	20	560,445	788,993
Total Shareholders' Equity		<u>7,105,947</u>	<u>7,189,215</u>
Total Liabilities and Shareholders' Equity		<u>7,423,585</u>	<u>7,909,248</u>

ⁱ Less legal reserve's allowances for the year that is equal to 62,271 thousands LL as of 31 December 2007 (87,666 thousands LL as of 31 December 2006).

Off-Balance Sheet Items	Notes	2007 LL'000	2006 LL'000
Engagements Guarantees		<u>1,856,199</u>	<u>1,308,097</u>
Guarantees Given to Banks and Financial Institutions	21	400,000	200,000
Guarantees Given to Customers	22	458,155	36,055
Guarantees Received from Customers	23	998,044	1,072,042
Fiduciary Accounts	24	<u>17,492,929</u>	<u>16,813,645</u>
Assets Under Management Accounts	25	<u>1,975,631</u>	<u>1,523,088</u>
Shares and Bonds in Deposit	26	<u>15,112,166</u>	<u>16,217,312</u>
Assets In Custody	27	<u>645,210</u>	<u>645,210</u>

Statement of Income	Notes	2007	2006
		LL'000	LL'000
Interest and Similar Income	28	464,822	550,041
Interest and Similar Charges	29	(2,533)	(13,430)
Net Interest Income		<u>462,289</u>	<u>536,611</u>
Fee and Commissions Income	30	1,066,651	1,365,659
Fee and Commissions Expenses	31	(61,606)	(83,039)
Net Fee and Commissions Income		<u>1,005,045</u>	<u>1,282,620</u>
Net Profit (Loss) from Trading Operations	32	114,520	139,904
Net Profit (Loss) from Financial Investment	33	50,677	81,774
Other Operating Income	34	8,958	5,724
Net Profit From Operating Income		<u>1,641,489</u>	<u>2,046,633</u>
Salaries and Related Charges	35	(557,753)	(590,719)
Depreciations and Amortizations	36	(25,429)	(43,682)
Other Operating Expenses	37	(370,939)	(408,092)
Total Operating Expenses		<u>(954,121)</u>	<u>(1,042,493)</u>
Profit From Operations		<u>687,368</u>	<u>1,004,140</u>
Net Profit (Loss) From Disposal of Fixed Assets		0	846
Profit Before Tax		<u>687,368</u>	<u>1,004,986</u>
Income Tax	38	(64,652)	(128,327)
Profit of the Period		<u>622,716</u>	<u>876,659</u>
Earnings Per Share		<u>311</u>	<u>438</u>

Statement of Cash Flows	2007	2006
	LL'000	LL'000
Cash Flow from Operating Activities		
Profit of the Period	560,445	788,993
Adjustments for:		
Depreciation and Amortization	25,429	43,682
Profit (or loss) on Disposal of Fixed Assets	0	(846)
Decrease (Increase) in Financial Assets Held For Trading	(12,950)	(285,050)
Decrease (Increase) in Loans and Advances to Customers	70,207	(503,327)
Decrease (Increase) in Loans to Related Parties	111,059	(122,332)
Decrease (Increase) in Financial Instruments Available for Sale	1,481,799	(696,756)
Decrease (Increase) in Other Assets	9,942	(36,792)
Increase (Decrease) in Other Liabilities	1,252	10,313
Increase (Decrease) in Provisions for Risks and Charges	26	(65)
Increase (Decrease) in Employee Retirement Benefits	(4,519)	20,125
Net Cash from Operating Activities	<u>2,242,690</u>	<u>(782,055)</u>
Cash Flow from Investing Activities		
Purchases of Tangible Fixed Assets	(12,130)	(64,040)
Proceeds on Disposal of Tangible Fixed Assets	0	13,567
Net Cash used in Investing Activities	<u>(12,130)</u>	<u>(50,473)</u>
Cash Flow from Financing Activities		
Increase (Decrease) in Banks and Financial institutions	(399,154)	(308,418)
Dividends Paid	(750,000)	(550,000)
Reserves	62,271	87,666
Revaluation Reserves in Financial Instruments	44,016	(146,190)
Net Cash from Financing Activities	<u>(1,042,867)</u>	<u>(916,942)</u>
Net Cash Provided (or Used)	1,187,693	(1,749,470)
Cash and cash Equivalents at the Beginning of the Period	1,928,890	3,678,360
Cash and Cash Equivalents at the Ending of the Period	<u>3,116,583</u>	<u>1,928,890</u>

Statement of Changes in Equity	Capital	Reserves	Retained Earnings	Changes in Fair Value	Total
	LL'000	LL'000	LL'000	LL'000	LL'000
Balance at 31 December 2005	5,000,000	919,866	1,059,659	29,221	7,008,746
Profit of the Year 2006	0	0	876,659	0	876,659
Allocate to Legal Reserve	0	87,666	(87,666)	0	0
Dividends Paid	0	0	(550,000)	0	(550,000)
Revaluation Reserves in Financial Instruments	0	0	0	(146,190)	(146,190)
Balance at 31 December 2006	5,000,000	1,007,532	1,298,652	(116,969)	7,189,215
Profit of the Year 2007	0	0	622,716	0	622,716
Allocate to Legal Reserve	0	62,271	(62,271)	0	0
Dividends Paid	0	0	(750,000)	0	(750,000)
Revaluation Reserves in Financial Instruments	0	0	0	44,016	44,016
Balance at 31 December 2007	5,000,000	1,069,803	1,109,097	(72,953)	7,105,947

Notes to the Financial Statements

1. Company Formation and Object

Crédit Commercial Et Foncier is a joint-stock company incorporated on 24 February 1970 in Lebanon according to act 26 and 49 of code of commerce with commercial registration number 2106/22710. The company was listed by Central Bank of Lebanon as a financial institution under number 5 on 19 August 1978.

The object of the company is to provide credit facilities and advances to customers, funds investment and fiduciary operations in addition to properties management.

2. Summary of Significant Accounting Policies

2.1. Basis of Preparation

The financial statements have been prepared in accordance with Standards issued or adopted by the International Accounting Standards Board (IASB) and the interpretations issued by International Financial Reporting Interpretations Committee in addition to circulars issued by the Central Bank of Lebanon and Banking Control Commission.

2.2. Comparative Numbers

Certain comparative numbers in the financial statements were reclassified to confirm with current presentation. These reclassifications did not have an effect either on the brought forward profits or owners' equity.

2.3. Accounting Convention

The financial statements have been prepared under the historical cost convention and the measurement at fair value of trading and available for sale investment securities.

2.4. Investment Securities

Investment securities are comprised of treasury bills and shares available for sale or held for trading. All investment securities are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Investment securities, which are held for trading, are subsequently measured at fair value and any gain or loss arising from change in fair value is included in the statements of income in the period in which arises.

Investment securities, which are available for sale, are subsequently measured at fair value. Unrealized gain or loss from change in its fair value is recognized directly under shareholders' equity until the investment is derecognized or impaired, at which time cumulative gain or loss previously recognized in shareholders' equity is included in the statements of income for the period.

2.5. Fair Value

For investments and derivatives quoted in active market, fair value is determined by reference to quoted market price. For unquoted financial instruments fair value is normally based on the market price applicable for items with similar terms and risk characteristics.

The fair value of financial instruments with income is determined by reference to average declared market price.

2.6. Loans and Advances

Loans and advances are reported at their outstanding principal balances adjusted for allowance for doubtful debts losses and unrealized interest. Interest income is accrued on the outstanding principal balance.

The provision for doubtful debts is evaluated on a regular basis by management and is based upon periodic review of the collectibility of the loans and advances according to the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay and prevailing economic conditions.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continue)

2.7. Tangible Fixed Assets

Tangible fixed assets are initially recorded at cost net of accumulated depreciation and any impairment in value. Depreciation is calculated on straight-Line method over the estimated useful lives of these assets according to the following annual rates:

- Vehicles	10%
- Leasehold and Improvement	6%
- Computer Software And Hardware	20%
- Office Equipment	8%
- Furniture	8%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists where the carrying values exceeds the estimated recoverable amount, the assets are written down to their irrecoverable amount.

2.8. Employees Retirement Benefit

In compliance with Lebanese labor law, end of service subscriptions paid and due to the National Social Security Funds (NSSF) are computed on the basis of 8.5 % of employee salaries. The final end of service benefits due to employees at the retirement age or who leave employment, are calculated based on the last paid salaries multiplied by the number of years of services. The institution is liable to pay to Social Security the difference between the subscriptions paid and final end of service benefits due to employees.

2.9. Fiduciary Assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the institution in the balance sheet but as off-balance sheet accounts.

2.10. Statutory Reserve

In compliance with the Code of Commerce and the Money and Credit Act, the institution should constitute a statutory reserve by transferring 10% of their annual net profit. This reserve is not available for distribution of dividends.

2.11. Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into Lebanese Lira at rates of exchange prevailing at the balance sheet date. Any gains or losses from exchange difference are taken to the income statement.

Revenues and expenses in foreign currencies are translated into Lebanese Lira by using rates of exchange prevailing at the transaction date.

2.12. Revenues and Expenses Recognition

Interests are recorded on accrual basis and revenues generated from properties management are computed on cash basis as a percentage of rentals collection.

Expenses paid in advance for future benefits are recorded as prepaid expenses. Also at year-end, the institution raises adequate provisions to cover interests and major accrued expenses.

2.13. Cash and Cash Equivalents

Cash and cash equivalents comprise balances with maturities of a period of three months from the date of acquisitions including: cash on hand and balances with Central Bank, deposit with banks and financial institutions and treasury bills.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continue)

2.14. Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable of that assets and any impairment loss recognized for the difference between the recoverable amount and the carrying amount is determined as follow:

- (a) For financial assets at amortized cost, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of income: and
- (b) For financial assets at fair value, where a loss has been recognized directly in equity as a result of the write-down of the asset to recoverable amount, the cumulative net loss recognized in equity is transferred to the statement of income.

2.15. Taxation

According to Lebanese income tax the institution is subject to a flat income tax rate of 15% on taxable income. Dividends are subject to a flat of 10% tax.