



GENERAL MEDITERRANEAN HOLDING
Société Anonyme



ANNUAL REPORT 2006



**AMERICAS
& THE CARRIBEAN**

Brazil
British Virgin Islands
Canada
Cayman Islands
Netherlands Antilles
Panama
United States of America

EUROPE

Belgium
France
Germany
Holland
Luxembourg
Russian Federation
Spain
Switzerland
United Kingdom

**MIDDLE EAST
& AFRICA**

Egypt
Jordan
Lebanon
Mauritius
Morocco
Tunisia
United Arab Emirates
Seychelles

**ASIA
& PACIFIC**

India
Pakistan
South Korea
Thailand



General Mediterranean Holding SA is a Luxembourg based holding company for over 120 companies with a presence in 28 countries employing over 6,000 personnel. The paid up capital of the company is €350 million with gross consolidated assets of €2.2 billion.

The activities of the Group are segregated into:

- Finance & Investment Activities
- Real Estate & Construction
- Hotel & Leisure
- Pharmaceuticals
- Power Generation
- Trading
- Advertising
- TV Broadcasting
- New Media
- Aviation

The GMH Group's long-term core business objective of low-risk controlled growth is coupled with an adherence to strict investment criteria. The Group is discerning in the investments it makes and continues to look for new opportunities that fit its investment principles and enhance the value of the company. The Group places much value on the provision of pride and security to its workforce so creating high productivity and consequently optimum economic returns. The Group aims for long-term, ethical relationships across its global reach and, in constantly endeavouring to serve the wider community and expand its activities, it strives always to enhance the value of shareholder investment.

BOARD OF DIRECTORS

Chairman & Chief Executive
Deputy Chairman

- Nadhmi S Auchi
- Nasir Abid
- John Gunther Dean
- Guy Glesener
- Sir Anthony Jolliffe
- Abdul Hadi Al-Majali
- Laurent Mosar
- Abdul Karim Al-Mudaris
- Jacques Santer
- Rt. Hon. Lord Steel of Aikwood

Country of Incorporation
Date of Incorporation
Registered Number
Registered Office

- Grand Duchy of Luxembourg
- 16 January 1979
- B16453
- Centre Financier
- 29, avenue de la Porte Neuve
- L - 2227, Luxembourg

Secretary to the Board

Arif Husain





CONTENTS

- 6** Chairman's statement
- 10** Report of the auditors
- 11** Consolidated income statement
- 12** Consolidated balance sheet
- 13** Consolidated cash flow statement
- 14** Statement of changes in equity
- 15** Notes to the accounts
- 29** Directors & operational executives



CHAIRMAN'S STATEMENT

OVERVIEW

It is with great pleasure that I announce the continued progress of the General Mediterranean Group during 2006. Owing to past success we have retained our strategy of current and long-term investments and we have been proved correct to have done so as our results clearly demonstrate.

During the year we have built on our existing businesses and made further investments and participations in both large and medium sized enterprises and projects with a potential for growth and development. Of particular note, we have increased our involvement in new media activities. Moreover, our pharmaceutical division has acquired a branded pharmaceutical manufacturing company in the UK. Our hotel business in the Middle East suffered some setback following the invasion of Lebanon but the Group has proved to be resilient and continues with its development plans.

In short, I am satisfied with the financial position of the Group and I believe that we can look forward with confidence to the future.

FINANCIAL REVIEW

The operating profit for 2006 was €75 million before allowing for exchange losses and provisions. After minority interests, profit attributable to the shareholders of General Mediterranean Holding SA was €53 million. Compared with the results for 2005 which included an extra-ordinary profit, on a like for like basis, the profit for 2006 is higher than last year's before currency adjustment and provisions.

In addition to the gross profit for the year, the major contributing factor to the year's results was the realignment of our current asset investments to present market values.

After adjustments for the realignment to market value of financial assets not held for trading, the total net assets of the Group stood at €1,182 million versus €1,173 million at the end of 2005. Total equity attributable to shareholders in the company increased to €1,102 million from €1,092 million in 2005 after adjusting for minority interests of €80 million at the end of the year and €81 million at 31 December 2005.

OPERATING REVIEW

Finance & Investment Activities

Our principal banking & finance investment subsidiary, Cipaf, had another profitable year with a consolidated profit of €25.4 million. At the year end, market value of Cipaf's fixed and current asset investments stood at €125 million.

After an exceptional performance of the Jordanian Banks in 2005, the anticipated correction took place in 2006. The Group's investments in the banking sector include shares in Jordan Kuwait Bank, Union Bank for Savings and Investments, Bank of Jordan, The Arab Bank and the Moscow based Krasbank.

The Group's portfolio of equities valued at €639 million comprises stocks carried at €400 million which are listed on international bourses and denominated in most major currencies.

Realised profit from trading of current asset investments and derivatives was €52 million in 2006 with revaluation of current asset investments adding a further €21 million. Changes in the market values of fixed asset investments are adjusted through the revaluation reserves in the balance sheet.

Real Estate & Construction

Soludec, our Luxembourg based general contracting company, continues to operate profitably and finished the year with a turnover of €64 million and an ongoing healthy order book.

The Group's real estate portfolio consists of properties in USA, Canada, Europe, Africa and the Middle East and under current market conditions is close to €1 billion. The main properties are fully let or operational, contributing positively to the Group's cash flow and net profit.

Valued at €30 million, the former "Unisys Building" in London consists of an area of 1.3 hectares. Plans are being studied for the development of the site into a hotel and we hope to acquire adjoining land which would enhance its value considerably.

One of our major investments is the 62 acre Riverside Park Project in Chicago, located along the south-west corner of Roosevelt Road. Its size and proximity to the Downtown Loop Business District, the lakefront and Museum Campus makes it a highly valuable investment opportunity.

In partnership with Krasbank the Group holds a 20% stake in the Pallada City Project; a seventy-four acre site of outstanding natural beauty near Moscow. Set on the bank of the picturesque Klayazma Water Basin and surrounded by forest, the plan is to build luxury private villas with recreational facilities.

Sales of Tunisian villas in Hammamet are continuing, and in Morocco, plans are in progress for the development of commercial complexes with shopping centres and housing projects in Tangiers, Marrakech and Casablanca.



Hotel & Leisure

Our philosophy is to establish more hotels around the world under the "Le Royal" banner, a marque which has become synonymous with five star plus standard and luxury. In each of its locations "Le Royal" is ranked as the best. Our flagship hotel Le Royal Luxembourg continues to operate profitably and enjoy the popular reputation of being the premier hotel in Luxembourg and amongst the uppermost in the world. It is important to mention that the tourism market around the Mediterranean and Middle East in particular is under strain due to a variety of factors and concerns that existed during 2006.

At GM Tours and Le Royal Hammamet (Tunisia), new management, enhanced staff training and improved marketing plans have assisted in attracting a higher end of the tourist market. Unaffected by the concerns in the region, Morocco continues to attract visitors and our hotel the El-Minzah, the number one in Tangiers, performed well. At Le Royal Amman, strategies are being implemented to attract the corporate business market and improve occupancy rates.

During 2006, the Dunes Club in Amman underwent a comprehensive refurbishment programme and new social and fitness events have been organized for members. To enhance the earnings potential of the club the addition of a one hundred and twenty room boutique hotel, a children's playground and a three lane bowling alley are planned.

Final approvals are awaited for the execution of a 60,000m² satellite project to reclaim an area of the sea at Dbayeh overlooked from Le Royal Beirut. The project includes connecting the hotel on the top of the hill with the seashore by a three hundred metre telepherique for a cable car. The Group owns 51% of the Beirut Hilton, presently under construction and due to open in the second quarter of 2008.

Our hotel activities in Egypt, which include an interest in the Sharm Dream Hilton Resort, are being expanded. We intend to increase our hotel portfolio further by adding Diamond Sharm Dream, the Grand Sharm in Sharm el Sheikh and Concord Touristic Development which comprises the Hilton Club and golf courses. We continue to hold a controlling interest in the InterContinental Hotel located in Hurghada on Egypt's Red Sea coast.

Miguel Angel, one of the leading hotels in Madrid, is managed under contract by Occidental Hotels and makes a positive and consistent contribution to the Group.

Lastly, our holiday residences in the south of France managed by our subsidiary Compagnie Européenne d'Hôtellerie continued to operate profitably. The management structure at CEH has changed and it is envisaged that the Cannes residence will be converted into a hotel.

Industrial, Pharmaceutical, Media & Motorsport

Crescent Pharma, our UK generics company, has acquired the entire capital of Anglian Pharmaceuticals and expects to improve its margins with the increased turnover of its new subsidiary. On the retail side, Bliss Pharmacy of London has continued to enhance performance and is growing from strength to strength. Substantial progress has been made on the Katupalli Power Project, the Group's 1000-megawatt venture in India. The fuel supply agreement for the import of coal and the loan syndication for the project are at advanced stages of completion. It is anticipated that the project will achieve financial closure by June 2008.

GMH continues to participate in A1GP, The World Cup of Motorsport, and operates A1 Team Lebanon, sponsored by Le Royal Hotels.

i-vu, the interactive media subsidiary, has reached a new agreement on a profit sharing basis with a US company for the handling of the US operation and leasing of the screens. Discussions for a significant expansion of the business from 3,000 screen installations to 30,000 in 2008 are at an advanced stage.

With an increasing turnover, prospects for Middle East Online, the internet news service, are good. Business agreements were reached with Arabic News Broadcasting Ltd, the Tunisian and Libyan Information Ministries and the Abu Dhabi Tourism Board.

At the end of last year, GMH acquired a controlling interest in VisualEyez, a television production company incorporated in the British Virgin Islands. VisualEyez has access to a multi million dollar catalogue of 800 TV documentary programmes and library of 10,000 hours of footage including wildlife, human history, natural history, arts and culture. The company has been operating since January 2006 and has established its studio and production infrastructure in the UK and Thailand.

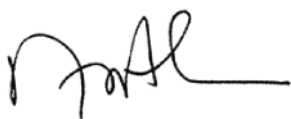
OUTLOOK

The outlook for the future is positive and buoyant and in 2007 we expect the Group's profitability to grow.

It is with sadness that I report the passing away of Dr. Jean Dupong, a highly valued member of the Cipaf Board and a dear friend. He worked tirelessly for many years and proved himself to be an invaluable asset to the Group. He shall be greatly missed.

On behalf of the GMH Board, I would also like to welcome Mr. Laurent Mosar who has agreed to join the Board of General Mediterranean Holding in 2007. Son of the late Mr. Nicolas Mosar, a former Board member himself, we are very pleased to see the return of the Mosar name at GMH. Mr. Mosar, a stalwart of the financial community in Luxembourg is Vice-President of the Chamber of Deputies and President of the Committee of Finance. He will undoubtedly make a significant contribution to the Group.

Finally, I take this opportunity to thank all the staff, and my colleagues on the Board, for their continued support, commitment and hard work in building the results achieved in 2006.



Nadhmi S Auchi
25 January 2008

REPORT OF THE INDEPENDENT AUDITORS



TO THE SHAREHOLDERS OF GENERAL MEDITERRANEAN HOLDING SA

We have audited the consolidated financial statements (the "financial statements") of General Mediterranean Holding SA for the year ended 31 December 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of change in shareholders' equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with IFRSs as adopted by the European Union.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the terms of our engagement letter addressed to the directors of the company and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the terms of our engagement letter or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgement made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its result for the year then ended.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP'.

BDO STOY HAYWARD LLP

Chartered Accountants

London

25 January 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 €'000	2005 €'000
Turnover	2	141,555	153,696
Cost of sales		56,446	76,158
GROSS PROFIT		<u>85,109</u>	<u>77,538</u>
Profit from current asset investments		39,167	41,031
Net operating expenses		(95,442)	(96,290)
Exchange gain/(loss)		(19,164)	5,914
Revaluation of current asset investments		20,651	184,191
Revaluation of investment properties		3,818	-
Profit on sale of fixed asset investments		-	20,414
Derivative income		12,402	7,911
Other income		12,057	3,974
Profit on sale of property, plant and equipment		(1,578)	7,734
Provisions		<u>(3,222)</u>	<u>(32,054)</u>
OPERATING PROFIT	3	53,798	220,363
Share of profits less losses of associate companies	9	(272)	2,722
Finance income	4	43,606	20,611
Finance costs	4	<u>(39,178)</u>	<u>(11,620)</u>
PROFIT BEFORE TAXATION		57,954	232,076
Income tax expense	5	<u>(4,760)</u>	<u>(9,498)</u>
PROFIT AFTER TAXATION		<u>53,194</u>	<u>222,578</u>
Attributable to:			
Equity holders of General Mediterranean Holding SA		54,035	217,142
Minority interests		<u>(841)</u>	<u>5,436</u>
		<u>53,194</u>	<u>222,578</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Notes	2006 €'000	2006 €'000	2005 €'000	2005 €'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6		745,471		857,917
Investment properties	7		148,815		69,105
Intangible assets	8		3,726		5,555
Investments in associates	9		28,416		28,687
Financial assets	10		304,292		305,971
			<u>1,230,720</u>		<u>1,267,235</u>
CURRENT ASSETS					
Inventories	11	25,925		25,127	
Trade and other receivables	12	322,998		358,957	
Other financial assets	13	334,730		300,289	
Cash and cash equivalents	14	239,259		240,033	
Total current assets			<u>922,912</u>		<u>924,406</u>
TOTAL ASSETS			<u>2,153,632</u>		<u>2,191,641</u>
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft	17	197,392		225,524	
Trade and other payables	15	255,808		341,470	
Other financial liabilities	16	129,072		54,553	
Taxation liability		7,465		6,869	
Total current liabilities		<u>589,737</u>		<u>628,416</u>	
NON-CURRENT LIABILITIES					
Financial liabilities	17	258,050		260,731	
Deferred tax liability		123,911		129,556	
Total non-current liabilities		<u>381,961</u>		<u>390,287</u>	
TOTAL LIABILITIES			<u>971,698</u>		<u>1,018,703</u>
TOTAL NET ASSETS			<u>1,181,934</u>		<u>1,172,938</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	18		350,000		350,000
Revaluation Reserves			245,118		300,863
Cumulative translation adjustment			(114,621)		(104,145)
Retained Earnings			596,290		524,622
Legal Reserve			25,382		20,992
			<u>1,102,169</u>		<u>1,092,332</u>
MINORITY INTERESTS			79,765		80,606
TOTAL EQUITY			<u>1,181,934</u>		<u>1,172,938</u>

Approved on 25 January 2008

For and on behalf of the Board

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006 €'000	2006 €'000	2005 €'000	2005 €'000
NET PROFIT BEFORE TAXATION		57,954		232,076
Adjustments for:				
Depreciation and amortisation	19,442		19,763	
Share of (profits)/losses of associates	272		(2,722)	
Exchange (gain)/loss	19,164		(5,914)	
Net (profit)/loss on sale of property, plant and equipment	1,573		(7,734)	
Net profit from sale of investments	-		(20,414)	
Finance income	(43,606)		(20,611)	
Finance costs	39,178		11,620	
		<u>36,023</u>		<u>(26,012)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES		93,977		206,064
Increase in stock	(798)		(10,117)	
Decrease/(increase) in debtors	35,959		(87,979)	
Increase in investments	(34,441)		(130,908)	
(Decrease)/increase in creditors	(87,039)		79,151	
Exchange movement relating to working capital	13,062		10,030	
Finance costs	(39,178)		(11,620)	
Tax paid	(3,638)		(5,994)	
		<u>(116,073)</u>		<u>(157,437)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		(22,096)		48,627
Cash flow from investing activities:				
Finance income	43,606		20,611	
Purchase of property, plant and equipment	(30,907)		(647)	
Purchase of investments	(32,043)		(124,634)	
(Purchase)/sale of non-current intangible assets	14,222		(2,276)	
		<u>(5,122)</u>		<u>(106,946)</u>
NET CASH FLOW FROM INVESTING ACTIVITIES		(5,122)		(106,946)
Cash flow from financing activities:				
Increase/decrease in loans	83,412		50,322	
Capital element of finance leases	-		(2,567)	
		<u>83,412</u>		<u>47,755</u>
NET CASH FLOW FROM FINANCING ACTIVITIES		83,412		47,755
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		56,194		(10,564)
Cash and cash equivalents at the beginning of the year:				
Cash at bank	240,033		231,026	
Bank overdrafts	(225,524)		(184,615)	
Effects of exchange rate changes	(28,836)		(21,338)	
		<u>(14,327)</u>		<u>25,073</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>41,867</u>		<u>14,509</u>
Cash and cash equivalents at the end of the year comprise:				
Cash at bank		239,259		240,033
Bank overdrafts		(197,392)		(225,524)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>41,867</u>		<u>14,509</u>

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Revaluation Reserve	Cumulative translation adjustment	Retained Earnings	Legal Reserve	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2005	225,000	262,304	(126,541)	415,380	20,034	796,177
Revaluation of non-current financial assets	-	48,323	-	-	-	48,323
Transfer to legal reserves	-	-	-	(958)	958	-
Capitalisation of reserves	125,000	-	-	(125,000)	-	-
Reserve transfer on disposal of fixed assets investments	-	(18,058)	-	18,058	-	-
Revaluation of freehold properties (net of deferred tax)	-	8,294	-	-	-	8,294
Currency Translation differences	-	-	22,396	-	-	22,396
Net profit for the year attributable to the shareholders of General Mediterranean Holding SA	-	-	-	217,142	-	217,142
At 31 December 2005	<u>350,000</u>	<u>300,863</u>	<u>(104,145)</u>	<u>524,622</u>	<u>20,992</u>	<u>1,092,332</u>
Transfer to legal reserves	-	-	-	(4,390)	4,390	-
Revaluation of non-current financial assets	-	(33,722)	-	-	-	(33,722)
Currency translation differences	-	-	(10,476)	-	-	(10,476)
Reserve transfer on reclassification of freehold properties (net of deferred tax)	-	(22,023)	-	22,023	-	-
Net profit for the year attributable to the shareholders of General Mediterranean Holding SA	-	-	-	54,035	-	54,035
At 31 December 2006	<u>350,000</u>	<u>245,118</u>	<u>(114,621)</u>	<u>596,290</u>	<u>25,382</u>	<u>1,102,169</u>

The share capital presents the shareholders fixed investment in the company.

Revaluation Reserve represents the surplus arising from adjusting the historic values of assets to current market values

Currency translation adjustment represents the accumulation of foreign exchange differences arising from the restatement of non-monetary assets and liabilities

Retained Earnings represent the accumulation of profits and losses of the group over the years.

Under Luxembourg law, the company is obliged to transfer to a legal reserve a minimum of 5% of its net profit each year until the reserve reaches 10% of the issued share capital. The reserve is not available for distribution.

NOTES TO THE ACCOUNTS

1. Accounting Policies

The significant accounting policies used in the preparation of the accounts are set out below. The policies have been consistently applied to all the years presented.

BASIS OF PREPARATION

The financial statements are presented in thousands of Euros (€'000) because that is the currency the Group primarily trades with its customers in.

The accounts have been prepared under the historical cost convention, except for the revaluation of certain non-current asset investments, freehold property and investment property. These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The following interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position.

IFRIC 4 - Determining whether an arrangement contains a lease (effective for annual periods beginning on or after 1 January 2006).

IFRIC 5 - Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds (effective for annual periods beginning on or after 1 January 2006).

IFRIC 6 - Liabilities arising from participating in a specific market, waste electrical and electronic equipment (effective for annual periods beginning on or after 1 December 2006).

The following standards and interpretations, issued by the IASB or IFRIC, have not been adopted by the Group, and the Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods:

IFRS7 - Financial instruments: disclosure (effective for annual periods beginning on or after 1 January 2007).

IFRS8 - Operating segments (effective for annual periods beginning on or after 1 January 2009).

IFRIC7 - Applying the restatement approach under IAS29 - Financial reporting in hyperinflationary economies (effective for annual periods beginning on or after 1 March 2006).

IFRIC 8 - Scope of IFRS2 - Accounting for share based payments (effective for annual periods beginning on or after 1 May 2006).

IFRIC 9 - Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006).

IFRIC 10 - Interim financial reporting and impairment (effective for annual periods beginning on or after 1 November 2006).

IFRIC 11 - Group and treasury share transactions (effective for annual periods beginning on or after 1 January 2008).

IAS23 (revised) - Borrowing costs (effective for annual periods beginning on or after 1 January 2009).

IFRS 8 contains requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The standard is concerned only with the disclosure and replaces IAS14 - segment reporting.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

BASIS OF CONSOLIDATION

The Group accounts comprise the accounts of General Mediterranean Holding SA and its subsidiaries made up to 31 December 2006. The principal subsidiaries are shown in note 9.

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the purchase method of accounting.

ASSOCIATE COMPANIES

Where the group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at cost. The group's share of post-acquisition profits and losses is recognised in the consolidated income statement except that losses in excess of the group's investment in the associate are not recognised unless there is an obligation to make good those losses.

The principal associates are listed in note 9.

FINANCIAL ASSETS AND LIABILITIES

The group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was required. The group's accounting policy for each category is as follows:

Fair value through profit or loss: Compromises financial assets held for trading. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision or impairment.

Held-to-maturity investments: These assets are non-derivative assets with fixed or determinable payments with fixed maturities that the group's management has the positive intention and ability to hold to maturity. These assets are measured at amortised cost, with changes through the income statement.

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the group's strategic investments in entities not qualifying as subsidiaries, associated or jointly controlled entities. They are carried at fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

Financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities which are recognised at amortised cost
- Bank borrowings, certain preference shares and the debt element of convertible debt issued by the group are initially recognised at the amount advanced net of any transaction directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost.

Premiums received on option contracts written on securities and currencies are taken to the income statement on a time apportioned basis, if no market value is available. Premiums not taken to profit at the year end are included in deferred income. When it is probable that losses on open contracts will exceed premiums received on those contracts, then an appropriate provision is made.

TURNOVER

Turnover, which excludes value added tax and sales between group companies, represents the total amount receivable for goods sold and services provided. Revenue from the sale of goods is recognised when the revenue and costs in respect of the can be measured reliably and after control over the goods and the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue from the provision of services is recognised when the revenue and costs in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the provider.

Revenue from property rentals is recognised on a time apportioned basis.

CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised by reference to the stage of completion of the contract at the balance sheet date.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

INTEREST AND DIVIDENDS

Interest is recognised on a time apportioned basis. Dividends are recognised when the shareholders' right to receive payment is established.

NON-CURRENT INTANGIBLE ASSETS

Product licences and other non-current assets are stated at cost. Amortisation is provided on a straight line basis at rates calculated to write off their cost over their expected useful lives at the following rates:

- Product licences 3.33% per annum
- Formation and share issue costs 20% per annum

PROPERTY, PLANT & EQUIPMENT AND INVESTMENT PROPERTIES

Interests in land and buildings are stated at cost less provision for depreciation. No depreciation is provided on freehold land on a straight line basis at rates calculated to write off their cost or valuation over their expected useful lives at the following rates:

- | | |
|--|----------------------------------|
| • Freehold buildings and long leasehold properties | 2% to 6% per annum |
| • Short leasehold properties | Over the remaining term of lease |
| • Plant, machinery and equipment | 10% to 33.33% per annum |
| • Motor vehicles | 25% per annum |
| • Aircraft | 6% to 11.25% per annum |

No depreciation is provided on the aircraft for the period during which they are not in use.

Profits or losses on the sale of non-current tangible assets included in the income statement are calculated as the difference between sale proceeds and net book value.

Investment properties are those from which the group receives rental income. These are carried at market value and are revalued on an annual basis.

GOODWILL

Goodwill arising on consolidation is the excess of the purchase price over the value of the net assets of subsidiary companies at the date of acquisition.

FINANCE AND OPERATING LEASES

Operating lease costs are charged against profit on a straight line basis over the term of the lease.

Where non-current assets are financed by entering into leasing agreements, which transfer to the lessee substantially all benefits and risks of ownership, the assets are treated as if they had been purchased and included in non-current assets and the capital element of the leasing commitments is shown as obligations under finance leases. The finance lease rentals are treated as consisting of capital and interest elements; the capital element is applied to reduce the outstanding obligations and the interest element is charged against profit.

INVENTORIES

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost, which comprises expenditure incurred in the normal course of business in bringing stocks and work in progress to their location and condition including appropriate overheads, is calculated on bases appropriate to the various businesses carried on by the group. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

DEFERRED TAXATION

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into Euros at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at year end rates of exchange. Differences on exchange arising from the retranslation of the opening net investment in subsidiary and associate companies are taken to reserves. All other exchange differences are taken to the income statement.

PARENT COMPANY LEGAL RESERVE

The company is required to allocate 5% of its annual profits to a non distributable legal reserve until the legal reserve of the company is equal to 10% of its issued share capital.

2. Turnover

	2006	2005
	€'000	€'000
Sale of goods	10,238	13,138
Rendering of services	131,317	140,558
	<u>141,555</u>	<u>153,696</u>

3. Operating Profit

	2006	2005
	€'000	€'000
Operating profit is arrived after charging:		
Amortisation of non-current intangible assets	970	711
Depreciation of non-current property, plant and equipment	18,472	19,052
Staff cost	36,928	35,470
	<u></u>	<u></u>

The average number of employees during the year was 2,525 (2005 - 1,940)

In the income statement staff cost, amortisation and depreciation are included within net operating expenses.

4. Finance Income & Costs

	2006	2005
	€'000	€'000
Finance income:		
Interest on advances to banking clients	5,088	6,173
Interest on other deposits and advances	38,518	14,438
	<u>43,606</u>	<u>20,611</u>
Finance costs:		
Interest on loans and overdrafts	36,576	8,606
Interest on deposits to banking clients	2,602	3,014
	<u>39,178</u>	<u>11,620</u>

5. Income Tax Expense

	2006	2005
	€'000	€'000
Current taxation on profits on ordinary activities of group companies	4,760	9,498
	<u>4,760</u>	<u>9,498</u>

Current tax is calculated with reference to the profit of the company and its subsidiaries in their respective countries of operation.

6. Non-Current Assets – Property, Plant & Equipment

	Freehold Properties €'000	Leasehold Properties €'000	Aircraft €'000	Plant & Equipment €'000	TOTAL €'000
Current Year					
Cost or Valuation					
Cost brought forward at 1 January 2006	797,528	38,271	11,706	127,704	975,209
Exchange	(27,896)	149	(1,220)	(6,368)	(35,335)
Additions	26,866	-	-	4,041	30,907
Transfer to investment properties	(80,066)	-	-	-	(80,066)
Disposals	(15,553)	-	-	(10,818)	(26,371)
Cost carried forward	<u>700,879</u>	<u>38,420</u>	<u>10,486</u>	<u>114,559</u>	<u>864,344</u>
Depreciation					
Depreciation brought forward at 1 January 2006	15,053	14,848	10,473	76,918	117,292
Exchange	(1,948)	10	(1,120)	(2,385)	(5,443)
Charge for year	6,332	300	592	11,248	18,472
Disposals	(4,201)	-	-	(7,247)	(11,448)
Depreciation carried forward	<u>15,236</u>	<u>15,158</u>	<u>9,945</u>	<u>78,534</u>	<u>118,873</u>
Net Book Value					
At 31 December 2006	<u>685,643</u>	<u>23,262</u>	<u>541</u>	<u>36,025</u>	<u>745,471</u>
Prior Year					
Cost or Valuation					
Cost brought forward at 1 January 2005	713,870	38,034	44,056	112,741	908,701
Exchange	40,403	172	1,434	9,239	51,248
Additions	36,031	65	-	8,945	45,041
Revaluations	11,714	-	-	-	11,714
Disposals	(4,490)	-	(33,784)	(3,221)	(41,495)
Cost carried forward	<u>797,528</u>	<u>38,271</u>	<u>11,706</u>	<u>127,704</u>	<u>975,209</u>
Depreciation					
Depreciation brought forward at 1 January 2005	5,397	14,524	11,926	59,899	91,746
Exchange	1,071	38	1,351	8,869	11,329
Charge for year	8,803	286	583	9,380	19,052
Disposals	(218)	-	(3,387)	(1,230)	(4,835)
Depreciation carried forward	<u>15,053</u>	<u>14,848</u>	<u>10,473</u>	<u>76,918</u>	<u>117,292</u>
Net Book Value					
At 31 December 2005	<u>782,475</u>	<u>23,423</u>	<u>1,233</u>	<u>50,786</u>	<u>857,917</u>

The valuations of all the freehold properties were carried out by professional valuers on an open-market basis on 31 December 2004 assuming a willing buyer, a willing seller and existing use. Those properties that have been completed during the course of 2006 have been included at cost. On an historic basis, the carrying values of freehold properties is €437.0 million (2005 - €468.7 million).

In accordance with International Accounting Standard 12 "Income Taxes" full provision has been made for deferred taxation on any profit which would arise on disposal of a property at its revalued amount. Accordingly a provision of €99.3 million was made in the 2004 financial statements and deducted from the revaluation of the freehold properties during the year in the revaluation reserve.

Certain freehold properties shown in these accounts at a net book value of €346 million (2005 - €299.8 million) have been mortgaged to banks and credit facilities.

During the year properties with a net book value of €80.1 million have been reclassified as investment properties. These properties were revalued in 2004 and consequently €22.0 million (net of deferred tax of €9 million) has been transferred from the revaluation reserve to retained earnings.

7. Non-Current Assets - Investments Properties

	2006	2005
	€'000	€'000
At beginning of period	69,105	69,105
Change in fair value	(356)	-
Transfer from property, plant and equipment	80,066	-
At the end of period	<u>148,815</u>	<u>69,105</u>

The investment properties were valued by professional valuers on an open market basis during the year. The change in fair value in respect of the investment properties has been recognised in the income statement.

8. Non-Current Assets – Intangibles

	Goodwill €'000	Product Licences & Other €'000	Formation & Share Issue Costs €'000	TOTAL €'000
Cost				
Cost brought forward at 1 January 2006	4,385	3,779	396	8,560
Exchange differences	11	11	4	26
Disposals	-	(1,012)	-	(1,012)
Cost carried forward	<u>4,396</u>	<u>2,778</u>	<u>400</u>	<u>7,574</u>
Amortisation				
Amortisation brought forward January 2006	605	2,046	354	3,005
Exchange differences	3	3	1	7
Charge for year	305	620	45	970
Disposals	-	(134)	-	(134)
Amortisation carried forward	<u>913</u>	<u>2,535</u>	<u>400</u>	<u>3,848</u>
Net Book Value				
At 31 December 2006	<u>3,483</u>	<u>243</u>	<u>-</u>	<u>3,726</u>
Cost				
Cost brought forward at 1 January 2005	4,056	1,919	379	6,354
Exchange differences	19	15	9	43
Additions	310	1,845	70	2,225
Disposals	-	-	(62)	(62)
Cost carried forward	<u>4,385</u>	<u>3,779</u>	<u>396</u>	<u>8,560</u>
Amortisation				
Amortisation brought forward at 1 January 2005	392	1,630	324	2,346
Exchange differences	3	5	1	9
Charge for year	210	411	90	711
Disposals	-	-	(61)	(61)
Amortisation carried forward	<u>605</u>	<u>2,046</u>	<u>354</u>	<u>3,005</u>
Net Book Value				
At 31 December 2005	<u>3,780</u>	<u>1,733</u>	<u>42</u>	<u>5,555</u>

9. Non-Current Assets – Investments In Subsidiaries & Associate Companies

The group's principal wholly owned subsidiaries at the year end are shown below. All companies are owned directly or indirectly by General Mediterranean Holding SA.

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY
Harborough Invest Inc	British Virgin Islands	Real Estate
Ilien Real Estate SA	British Virgin Islands	Real Estate
Last Voices Ltd	British Virgin Islands	Documentaries & TV Production
Le Royal Hotel Management Company SA	British Virgin Islands	Hotel Management
Ludo Estates Inc	British Virgin Islands	Investment Holding
GMH Motorsport Ltd	British Virgin Islands	Sport Management
Oval Development Corporation	British Virgin Islands	Investment Holding
Visualize Entertainment International Ltd	British Virgin Islands	Documentaries & TV Production
Development & Trade Corporation	Canada	Real Estate
Bernard de Ventadour SA	France	Hotel Management
Louicannes SA	France	Hotel Investment
SCI de la Grande Motte	France	Hotel Investment
Chennnai Power Generation Ltd	India	Power Generation
Atlantic Real Estate Company SA	Luxembourg	Hotel Investment
Continental Investment and Management SA	Luxembourg	Investment Holding
Continental Real Estate Company SA	Luxembourg	Real Estate
Foncière Générale d'Investissements Immobiliers SA	Luxembourg	Real Estate
GMH Telecommunications Ltd	Luxembourg	Telecom
Grandin SA	Luxembourg	Investment Holding
Hotel Royal SA	Luxembourg	Hotel Management
Immobilière Beaumont SA	Luxembourg	Real Estate
Immobilière de Gestion Financière SA	Luxembourg	Investment Holding
Immobilière du Quartier K SA	Luxembourg	Real Estate
Immobilière Royale SA	Luxembourg	Real Estate
Le Domaine Sàrl	Luxembourg	Real Estate Management
Louisiane SA	Luxembourg	Investment Holding
Marial Immobilière SA	Luxembourg	Real Estate
Mediterranean Holding SA	Luxembourg	Investment Holding
Soludec SA	Luxembourg	General Contractors
Union Financière Immobilière Luxembourgeoise SA	Luxembourg	Real Estate
General Mediterranean Holding (Mauritius) Ltd	Mauritius	Investment Holding
Société Famarex Sàrl	Morocco	Real Estate
Société Immobilière du Bld de Bordeaux SA	Morocco	Real Estate
CV Investment Corporation	Panama	Securities
Beston Services Inc	Panama	Investment Holding
Continental Cargo & Trade Services Inc	Panama	Aircraft Leasing
Fintrade Services Inc	Panama	Trading & Consulting
Geralton Investment SA	Panama	Investment Holding
Hornilia Company SA	Panama	Investment Holding

9. Non-Current Assets – Investments In Subsidiaries & Associate Companies (continued)

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY
Jodrell Investment Corporation	Panama	Aircraft Leasing
Matlane Services Inc	Panama	Investment Holding
Middle East Finance Corporation	Panama	Finance
Triclor Services Inc	Panama	Finance
Tropic Petroleum Corporation	Panama	Real Estate
Hotel Miguel Angel SA	Spain	Hotel Investment
Aviation G5 AG	Switzerland	Aviation
General Mediterranean Holding (UK) Ltd	United Kingdom	Investment Holding
GenMed Commercial Finance Ltd	United Kingdom	Finance
GM Airlines Ltd	United Kingdom	Air Freight
GM Finance Ltd	United Kingdom	Finance
Crescent Pharma Ltd	United Kingdom	Pharmaceuticals
Hyde Park Estates Ltd	United Kingdom	Real Estate
Meditech (UK) Ltd	United Kingdom	IT
Rootcare Ltd	United Kingdom	Retail Pharmacies

The group's principal partially owned subsidiaries at the year end are shown below, together with the effective percentage held, directly or indirectly, by General Mediterranean Holding SA.

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY	EFFECTIVE %
Meat & Food International SA	Belgium	Abattoir	60
GMH Brasil Ltda.	Brazil	Investment Holding	86
International Continental Hotels Co. SAE	Egypt	Hotel Investment	51.4
Mediterranean Hotel Company SAE	Egypt	Hotel Investment	88
Compagnie Européenne d'Hôtellerie SA	France	Hotel Management	55
Bank Companie Nord GmbH	Germany	Banking	96
General Mediterranean Jordan Touristic & Industrial Investments Co.	Jordan	Hotel Investment	96.3
General Mediterranean Real Estate Ltd	Jordan	Real Estate	96.1
Central Hill SAL	Lebanon	Hotel Investment	82.5
General Tourism Holding SAL	Lebanon	Hotel Investment	51
Ikarat Wa Abnia SAL	Lebanon	Hotel Investment	51
Leisure Hill SAL	Lebanon	Hotel Investment & Management	82.5
Libanograde Regency SAL	Lebanon	Hotel Investment	82.5
Compagnie Internationale de Participations Bancaires et Financières SA (Cipaf)	Luxembourg	Financial Holding	96
Luxembourg Real Estate Company SA	Luxembourg	Real Estate	90
Parcip SA	Luxembourg	Investment Holding	59.8
Compania Rentistica SA	Morocco	Real Estate	80
Complex Commercial Achtar Sàrl	Morocco	Real Estate	80
Minville SA	Morocco	Hotel Investment & Management	80
Peshell SA	Morocco	Real Estate	68

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY	EFFECTIVE %
Gen Med Tours SA	Tunisia	Hotel Investment & Management	95
Loisirs Club Hammamet SA	Tunisia	Hotel Investment	95
Italgrade Ltd	United Kingdom	Trading & Consultancy	89.1
i-vu Ltd	United Kingdom	Interactive Media	51
Middle East Online Ltd	United Kingdom	Interactive News	55
Tucan Investments Plc	United Kingdom	Real Estate	91.3

The Group's investment in principal associate companies includes:

NAME OF ASSOCIATE	COUNTRY OF INCORPORATION	ACTIVITY	EFFECTIVE %
Cobeton SA	Luxembourg	Property Development	33
Global Securities Ltd	Mauritius	Investment Holding	50
Korad Co Ltd	Korea	Advertising	46.3
Mid Contracting Ltd	Jordan	Construction	36
North Atlantic Continental Capital Ltd	Grand Cayman	Strategic Investments	45.9
Arab Company for Production and Distribution	Egypt	Film Distribution	44.2

Aggregated amounts relating to associates are as follows:

	2006 €'000	2005 €'000
Associate companies		
Total assets	60,267	62,653
Total liabilities	(27,943)	(18,190)
Reserves	32,324	44,463
Share of profit attributable to General Mediterranean Holding SA	(272)	2,722

10. Non Current Assets – Financial Assets

	2006 €'000	2005 €'000
Available for sale investments		
Quoted	64,530	102,234
Unquoted	239,762	203,737
	<u>304,292</u>	<u>305,971</u>

11. Inventories

	2006 €'000	2005 €'000
Raw materials	6,477	3,114
Work in progress	7,590	7,445
Finished goods for resale	11,858	14,568
	<u>25,925</u>	<u>25,127</u>

12. Trade & Other Receivables

	2006	2005
	€'000	€'000
Trade and other receivables	293,442	293,314
Advances to banking clients	14,436	65,643
Amounts owed by associate companies	15,120	-
	<u>322,998</u>	<u>358,957</u>

13. Other Financial Assets

	2006	2005
	€'000	€'000
Marketable securities at market value	314,417	279,889
Derivatives	20,313	20,400
	<u>334,730</u>	<u>300,289</u>

14. Cash & Cash Equivalents

Cash at bank includes €3 million (2005 - €9.7 million) of interbank deposits. A total of €116 million (2005 - €112.6 million) has been pledged as security for bank facilities and borrowings.

15. Current Liabilities: Trade & Other Payables

	2006	2005
	€'000	€'000
Trade and other creditors	218,404	232,994
Construction progress payments	37,350	23,896
Deposits from banking clients	54	84,580
	<u>255,808</u>	<u>341,470</u>

16. Current Liabilities: Other Financial Liabilities

	2006	2005
	€'000	€'000
Bank loans	<u>129,072</u>	<u>54,553</u>

The terms and conditions associated with these bank loans are disclosed in note 17

17. Non-Current Liabilities: Financial Liabilities

	2006	2005
	€'000	€'000
Subordinated convertible participating notes	140,000	140,000
Secured Loans	50,633	37,796
Unsecured Loans	11,311	11,288
Shareholders' loans	24,076	44,408
Other liabilities	32,030	27,239
	<u>258,050</u>	<u>260,731</u>

Bank loans and overdrafts: significant terms and conditions

Currency	Excess over Interest Basis I/B Rate	Overdrafts €'000	2006		Overdrafts €'000	2005	
			Loans <1 year €'000	Loans >1 year €'000		Loans <1 year €'000	Loans >1 year €'000
			US Dollar	0.05% to 0% fixed		144,161	-
Euro	0.25% to 0.45% floating	38,203	125,754	11,355	79,626	49,017	3,329
Tunisian Dinar	0.06% to 0.07% floating	894	2,276	2,229	888	2,929	4,018
Egyptian Pound	0.012% fixed	-	-	-	-	-	-
GB Pound	0.0085% floating	1,418	33	24,006	192	1,296	24,672
Jordanian Dinar	0.07% fixed	-	1,009	10,607	-	1,311	5,728
Moroccan Dirham	0.03% fixed	-	-	21	-	-	49
Canadian Dollar	0.02% floating	-	-	1,593	-	-	-
Lebanese Pounds	0.09385% fixed	12,716	-	-	3,647	-	-
		<u>197,392</u>	<u>129,072</u>	<u>50,633</u>	<u>225,524</u>	<u>54,553</u>	<u>37,796</u>

Interest rates are based primarily on Libor or equivalent interbank offered rates in other countries.

There is no material difference between the fair value and the book value of these loans.

Secured Loans are repayable over a period of up to 8 years. Credit facilities of the equivalent of €81.7 million (2005 - €90.8 million) are secured on certain properties included in these accounts at a net book value of €346 million (2005 - €299.8 million).

Unsecured loans and shareholders' loans are interest free and have no fixed date for repayment.

The subordinated convertible participating notes are convertible into 7,000,000 ordinary shares at a price of €20 per share until the year 2017 at the option of either the note holder or the company. These notes entitle the holders to interest at the rate of 1.5% per annum and in addition to a share of profits of the company up to a rate of 20% per annum of the nominal value of the notes, not to exceed the equivalent of the cumulative aggregate of the dividends paid by the company to its shareholders.

18. Share Capital

	2006 €'000	2005 €'000
Ordinary shares of €20 each		
Authorised	500,000	500,000
Issued and fully paid	350,000	350,000

19. Related Party Transactions

- a) General Mediterranean Holding SA is a Luxembourg holding company which is controlled by a number of shareholders each of whom is considered to be a related party. As holders of subordinated convertible participating notes, interest of €2.1 million (2005 - €2.1 million) is payable to the shareholders.
- b) Trade and other creditors include loans of €44.6 million (2005 - €52.2 million) repayable on demand, from companies over which certain directors have a significant influence. No interest has been charged for the year 2006 (2005 - €1.5 million).
- c) Trade and other debtors include €3.3 million (2005 - €17.5 million) due from companies over which certain directors have a significant influence.
- d) Remuneration paid to key management during the year totalled €0.3 million (2005: €0.6million)

20. Financial Instruments & Risk Management

The group has procedures in place to monitor risks associated with foreign exchange, credit, interest rate and liquidity.

In relation to the European banking activities of the Group, risks are controlled as follows:

- a) Foreign Exchange Risk
Foreign Exchange Risk is monitored against the Euro on a daily basis. The foreign currency management policy is to hedge the recognised foreign currency gap arising from cash, receivables and loans.
- b) Credit Risk
Management's policy is to spread any credit risk by individual credit risk assessment. The current credit risk in the portfolio is monitored by the management with an internal rating and limit method.
- c) Interest rate and liquidity risks.
Interest and liquidity risks are strictly limited by time and amount. They are reviewed by using a value at risk method on a daily basis. At the balance sheet date, a one percentage point movement in interest rates would affect the results by less than €0.9 million.

In relation to the other activities of the Group, the significant considerations are as follows:

- d) Options written on quoted securities
The group has written options on quoted securities. At the balance sheet date these are stated at fair value with no unrealised gain on open contracts.
Due to the nature of these option contracts, it is possible that losses will be made at a future date that exceed the premium received if the market value of the underlying securities moves unfavourably. Some of the options have been written in relation to securities which are included in the Group's portfolio of current asset investments. A fall in the market value of these securities may give rise to a loss on option contracts in addition to any write-down of the investments themselves.
- e) Forward foreign exchange agreements
The Group has not entered into forward foreign exchange agreements during 2006.

DIRECTORS & OPERATIONAL EXECUTIVES

FINANCE & INVESTMENT ACTIVITIES

COMPAGNIE INTERNATIONALE DE PARTICIPATIONS BANCAIRES ET FINANCIERES (CIPAF)

Nadhmi Auchi Chairman & Chief Executive
Nasir Abid
Guy Glesener
Rt Hon. Lord Lemont of Lerwick
Alain de Wulf
Dr Omar Zawawi

GENERAL MEDITERRANEAN HOLDING (UK)

Nadhmi Auchi
Ibtisam Auchi
Baroness Falkender
Arif Husain

INVESTMENT ACTIVITIES

Tameem Auchi
Ala Al-Khawaja

REAL ESTATE & CONSTRUCTION

LUXEMBOURG

MOROCCO

TUNISIA

UK & USA

CANADA

SOLUDEC – CONTRACTING & DEVELOPMENT

UAE – INTERIOR DESIGN & CONTRACTING

Nasir Abid
Hisham Said
Mohamed Jegham
Mohammed Al-Miqdadi
Igor Melnikov
Joseph Baustert
Jamal Sha'sha'a

HOTEL & LEISURE

COMPAGNIE EUROPEENNE D'HOTELLERIE – FRANCE

LE ROYAL COMPLEX – JORDAN

LE ROYAL COMPLEX – LEBANON

LE ROYAL – LUXEMBOURG

LE ROYAL EL MINZAH – MOROCCO

LE ROYAL HAMMAMET – TUNISIA

MIGUEL ANGEL – SPAIN

BEIRUT HILTON – LEBANON

HURGHADA INTERCONTINENTAL – EGYPT

DUNES CLUB – JORDAN

Guy Glesener
Antony Paton
Nather Auchi
Philippe Scheffer
Hisham Said
Philippe Belhaye
Juan Manuel Soria
Halldor Briem
Philippe De Viscaya
Ramzi Masarweh

INDUSTRIAL & PHARMACEUTICAL

PHARMACEUTICAL MANUFACTURING

Luma Auchy

RETAIL PHARMACIES

Ahmed Al-Saraf and Reem Auchy

POWER PROJECT - INDIA

Madhu Gupte

SUGAR REFINERY - PAKISTAN

Arif Husain

MEDIA & BROADCASTING

INTERACTIVE MEDIA

Michael Anstey

INTERACTIVE NEWS

Dr Haitham El-Zobaidi

DOCUMENTARIES & TV PRODUCTION

Anthony Copping

TV BROADCASTING

Boutros El-Khoury





GENERAL MEDITERRANEAN HOLDING
Société Anonyme

Centre Financier 29, avenue de la Porte Neuve L - 2227, Luxembourg
www.gmhsa.com