

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2019**



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE LEBANESE
COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.**

Opinion

We have audited the accompanying consolidated financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (the "Company") and its subsidiaries (collectively referred to the "Group"), which comprise the Consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2019. We have determined the matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Our description of how our audit addressed this matter is provided in that context.

We have fulfilled the responsibilities described in the “*Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements*” section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addresses the Key Audit Matter
<i>Impairment of accounts and notes receivable</i>	
<p>Refer to note 2 of the consolidated financial statements for a description of the accounting policy.</p> <p>Due to the inherently judgmental nature of the computation of expected credit losses (“ECL”) for accounts and notes receivable, there is a risk that the amount of ECL may be misstated. The key areas of judgement include:</p> <ol style="list-style-type: none"> 1. The identification of exposure with a significant deterioration in credit quality. 2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc. 3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model. <p>Note 8 to the consolidated financial statements discloses information on accounts and notes receivable and related impairment.</p>	<p>In assessing the impairment, we performed the following procedures:</p> <ol style="list-style-type: none"> 1. We assessed the modelling techniques and methodology against the requirements of IFRS 9. 2. We tested the data, both current and historical, used in determining the ECL. 3. We tested the expected credit loss models including build, validation and governance of models. 4. We tested the material modelling assumptions in addition to any overlays. 5. We examined a sample of exposures and performed procedures to determine whether significant increase in credit risk had been identified on a timely basis. 6. We reperformed the ECL computation for a sample of receivables. 7. We assessed the accuracy of disclosures in the separate financial statements.

Emphasis of matter

- We draw attention to note 4 to the consolidated financial statements which describes the current economic situation in Lebanon.
- We draw attention to note 36 to the consolidated financial statements which describes the impact of the subsequent outbreak of Novel Coronavirus.

Our opinion is not modified in respect of these matters.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

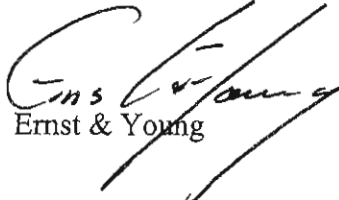
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

The partners in charge of the audit resulting in this independent auditors' report are Nada Maalouf for Deloitte & Touche and Nadim Dimashkieh for Ernst & Young.

Beirut, Lebanon
June 22, 2020


Deloitte & Touche


Ernst & Young

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

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2019</u> US\$	<u>2018</u> US\$
Cash and banks balances	6	20,445,725	27,022,443
Prepayments and other debit balances	7	18,680,609	53,187,444
Accounts and notes receivables, net	8	129,936,268	146,576,628
Investment in asset-backed securities	9	8,699,707	19,699,377
Inventory of land and projects in progress	10	1,110,548,888	1,204,900,740
Investment properties, net	11	565,177,583	584,461,261
Investments in associates and joint ventures	12	351,151,080	397,598,001
Fixed assets, net	13	45,076,310	48,527,466
Total Assets		<u>2,249,716,170</u>	<u>2,481,973,360</u>
 <u>LIABILITIES</u> 			
Bank overdrafts and short term facilities	14	48,958,855	122,051,954
Accounts payable and other liabilities	15	109,424,861	124,835,005
Dividends payable	16	59,014,963	59,513,187
Deferred revenues and other credit balances	17	44,563,992	30,652,467
Term bank loans	18	155,481,298	361,597,531
Total Liabilities		<u>417,443,969</u>	<u>698,650,144</u>
 <u>EQUITY</u> 			
Issued capital at par value US\$10 per share:	19		
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>
Capital		1,650,000,000	1,650,000,000
Legal reserve	20	170,475,527	170,474,545
Retained earnings/(accumulated losses)		11,840,097	(37,126,676)
Cumulative foreign currency translation reserve		(28,423)	(24,653)
Less: Treasury Shares		<u>(15,000)</u>	<u>-</u>
Total Equity		<u>1,832,272,201</u>	<u>1,783,323,216</u>
Total Liabilities and Equity		<u>2,249,716,170</u>	<u>2,481,973,360</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 PROFIT OR LOSS**

	Notes	Year Ended December 31,	
		2019	2018
		US\$	US\$
Revenues from land sales		234,450,600	1,274,550
Revenues from rented properties		53,215,936	56,855,415
Revenues from rendered services	21	7,724,006	8,097,796
Revenues from hospitality		13,709	8,656
Total revenues		<u>295,404,251</u>	<u>66,236,417</u>
Cost of land sales		(110,819,184)	(726,020)
Depreciation of and charges on rented properties	22	(20,201,015)	(23,216,387)
Cost of rendered services	23	(6,154,512)	(5,171,060)
Cost of hospitality		(6,866)	(44,038)
Total cost of revenues		<u>(137,181,577)</u>	<u>(29,157,505)</u>
Gain on sale and disposal of investment properties	11	3,803,963	287,141
Net revenues from operations		162,026,637	37,366,053
Share results of associates and joint ventures	12	(14,585,364)	(11,825,909)
General and administrative expenses	24	(23,446,834)	(31,437,571)
Depreciation of fixed assets	13	(2,383,491)	(2,746,180)
Write-off of receivables	8(c,d)	(606,254)	(33,662,497)
Write-off of real estate development project costs	10(b)	(15,674,130)	-
Loss on rescheduled receivables	8	(2,872,237)	(2,213,291)
Provision for impairment, net	6,7(d),8(d),9,12	(18,274,755)	(35,046,987)
Provision for contingencies	15(e)	(1,235,000)	(8,556,736)
Write-back on impairment of fixed assets	13	7,885	1,594
Other expense		(1,043,359)	(2,436,846)
Other income	26	3,001,472	332,902
Taxes, fees and stamps		(795,756)	(648,582)
Interest income	25	1,492,361	7,179,882
Interest expense	27	(19,978,585)	(33,725,167)
Loss on exchange, net		(11,774)	(80,067)
Profit/(loss) before tax		65,620,816	(117,499,402)
Income tax (expense)/benefit	15(c)	(16,653,061)	1,809,977
Profit/(loss) for the year		<u>48,967,755</u>	<u>(115,689,425)</u>
Basic/diluted earnings per share	28	<u>0.30</u>	<u>(0.70)</u>
Attributable to:			
Equity owners of the Group		48,967,755	(115,689,425)
Profit/(loss) for the year		<u>48,967,755</u>	<u>(115,689,425)</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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<u>Notes</u>	<u>Year Ended December 31,</u>	
		<u>2019</u> US\$	<u>2018</u> US\$
Profit/(loss) for the year		<u>48,967,755</u>	<u>(115,689,425)</u>
Other comprehensive income:			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation reserve		<u>(3,770)</u>	<u>41,815</u>
Other comprehensive (loss)/income for the year		<u>(3,770)</u>	<u>41,815</u>
Total comprehensive profit/(loss)		<u>48,963,985</u>	<u>(115,647,610)</u>
Attributable to:			
Equity owners of the Group		<u>48,963,985</u>	<u>(115,647,610)</u>
		<u>48,963,985</u>	<u>(115,647,610)</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**

	Share Capital US\$	Legal Reserve US\$	Retained Earnings/ (Accumulated Losses) US\$	Cumulative Foreign Currency Translation Reserve US\$	Treasury Shares US\$	Total US\$	Non- Controlling Interest US\$	Total US\$
Balance at January 1, 2018	1,650,000,000	170,466,705	79,471,651	(66,468)	-	1,899,871,888	-	1,899,871,888
Impact for adopting IFRS9 at January 1, 2018	-	-	(901,062)	-	-	(901,062)	-	(901,062)
Restated balance at January 1, 2018	1,650,000,000	170,466,705	78,570,589	(66,468)	-	1,898,970,826	-	1,898,970,826
Allocation to Legal reserve from 2018 profit	-	7,840	(7,840)	-	-	-	-	-
Total comprehensive loss for the year 2018	-	-	(115,689,425)	41,815	-	(115,647,610)	-	(115,647,610)
Balance as at December 31, 2018	1,650,000,000	170,474,545	(37,126,676)	(24,653)	-	1,783,323,216	-	1,783,323,216
Allocation to Legal reserve from 2019 profit	-	982	(982)	-	-	-	-	-
Total comprehensive income for the year 2019	-	-	48,967,755	(3,770)	-	48,963,985	-	48,963,985
Treasury shares purchase	-	-	-	-	(15,000)	(15,000)	-	(15,000)
Balance as at December 31, 2019	1,650,000,000	170,475,527	11,840,097	(28,423)	(15,000)	1,832,272,201	-	1,832,272,201

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 CASH FLOWS**

	Notes	Year Ended December 31,	
		2019 US\$	2018 US\$
Cash flows from operating activities			
Profit/(loss) for the year before tax		65,620,816	(117,499,402)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	29(a)	16,178,685	16,501,084
Gain on sale and disposal of investment properties	11	(3,803,963)	(287,141)
Gain on sale of fixed assets	26	(2,793,311)	(4,426)
Provision for/(write-back on) end-of-service indemnity and other charges, net	15(d)	484,960	(1,307,329)
Provision for contingencies	15(e)	1,235,000	8,556,736
Write-back on impairment of fixed assets	13	(7,885)	(1,594)
Provision for impairment, net	6,7(d),8(d),9,12	18,274,755	35,046,987
Write-off of real estate development projects cost	10(b)	15,674,130	-
Write-off of receivables	8(a,c)	606,254	33,662,497
Loss on rescheduled receivables		2,872,237	2,213,291
Share results of associates and joint ventures	12	14,585,364	11,825,909
Interest income	25	(1,492,361)	(7,179,882)
Interest expense	29(b)	21,293,196	35,010,968
Changes in working capital:			
Prepayments and other debit balances	29(d)	25,640,224	(15,033,480)
Accounts and notes receivable, net	29(d)	2,605,461	137,557,685
Inventory of land and projects in progress	29(d)	81,144,254	(48,388,645)
Accounts payable and other liabilities	29(d)	(8,914,650)	(24,901,173)
Deferred revenues and other credit balances		13,911,525	3,197,120
Interest received		1,492,361	9,746,293
Settlements of end-of-service indemnity and other charges	15(d)	(1,665,735)	(1,346,175)
Settlements from provision for contingencies	15(e)	(5,134,273)	(6,533,488)
Taxes paid		(4,448,838)	(12,348,797)
Net cash generated from operating activities		<u>253,358,206</u>	<u>58,487,038</u>
Cash flows from investing activities:			
Investment in asset-backed securities		6,399,670	12,015,221
Acquisition of fixed assets	13	(478,209)	(623,625)
Acquisition of investment properties	11	(3,468,127)	(3,459,804)
Proceeds from sale of investment properties	11	12,760,574	1,504,973
Proceeds from sale of fixed assets	13	4,347,070	6,020
Investments in associates and joint ventures	12, 29(d)	<u>29,237,232</u>	<u>45,763</u>
Net cash provided by investing activities		<u>48,798,210</u>	<u>9,488,548</u>
Cash flows from financing activities:			
Term bank loans	18	(206,116,233)	63,421,361
Dividends paid	16	(498,224)	(783,304)
Interest paid		(21,331,241)	(34,948,761)
Short term Bank facilities	14	(32,913,554)	(84,086,446)
Treasury shares purchase		(15,000)	-
Net cash used in financing activities		<u>(260,874,252)</u>	<u>(56,397,150)</u>
Net change in cash and cash equivalents		41,282,164	11,578,436
Cash and cash equivalents--Beginning of the year	29(e)	<u>(31,958,605)</u>	<u>(43,537,041)</u>
Cash and cash equivalents--End of the year	29(e)	<u>9,323,559</u>	<u>(31,958,605)</u>

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