Deloitte.

Deloitte & Touche
Arabia House
131 Phœnicia Street
Ain Mreisseh, Beirut
P.O. Box 11-961
Lebanon

Tel: +961 (0) 1 364 700
Fax: +961 (0) 1 367 087
www.deloitte.com

EY
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Ernst & Young p.c.c.
Starco Building
South Block B - 9th Floor
Mina El Hosn, Omar Daouk Street, Beirut
P.O. Box 11-1639, Riad El Solh
1107 2090, Lebanon

Tel: +961 1 760 800
Fax: +961 1 760 822/3
beirut@lb.ey.com
ey.com/mena
C.R. 61

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, 2018, 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, 2018, 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, 2018. 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
Impairment of receivables and asset backed notes	
Refer to note 2 of the consolidated financial statements for a description of the accounting policy. Due to the inherently judgmental nature of the computation of expected credit losses ("ECL") for notes. Accounts receivable and asset backed notes, there is a risk that the amount of ECL may be misstated. The key areas of judgement include: 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. Notes 8 and 9 to the consolidated financial statements discloses information on notes and accounts receivable and asset backed notes and related impairment.	In assessing the impairment, we performed the following procedures: 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 the asset backed notes and for a sample of receivables. 7. We assessed the accuracy of disclosures in the separate financial statements.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. The Group's 2018 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 Yamen Maddah for Deloitte & Touche and Nadim Dimashkieh for Ernst & Young.

Beirut, Lebanon
April 30, 2019

Deloitte & Touche

Ernst & Young

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

ASSETS	Notes	December 31, 2018 US$	December 31, 2017 US$
Cash and banks balances	6	27,022,443	40,188,587
Prepayments and other debit balances	7	53,187,444	60,214,661
Accounts and notes receivables, net	8	146,576,628	363,675,671
Investment in asset-backed securities	9	19,699,377	23,744,295
Inventory of land and projects in progress	10	1,204,900,740	1,156,512,095
Investment properties, net	11	584,461,261	595,974,193
Investment in associates and joint ventures	12	397,598,001	420,767,858
Fixed assets, net	13	48,527,466	50,650,021
Total Assets		2,481,973,360	2,711,727,381
LIABILITIES			
Bank overdrafts and short term facilities	14	122,051,954	230,725,628
Accounts payable and other liabilities	15	124,835,005	162,485,957
Dividends payable	16	59,513,187	60,296,491
Deferred revenues and other credit balances	17	30,652,467	60,171,247
Loans from banks and financial institutions	18	361,597,531	298,176,170
Total Liabilities		698,650,144	811,855,493
EQUITY			
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		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	20	170,474,545	170,466,705
(Accumulated losses)/retained earnings		(37,126,676)	79,471,651
Cumulative foreign currency translation reserve		(24,653)	(66,468)
Total Equity		1,783,323,216	1,899,871,888
Total Liabilities and Equity		2,481,973,360	2,711,727,381

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, 2018 US$	Year Ended December 31, 2017 US$
Revenues from land sales		1,274,550	94,500
Revenues from rented properties		56,855,415	59,926,750
Revenues from rendered services	21	8,097,796	7,439,105
Revenues from hospitality		8,656	239,386
Total revenues		66,236,417	67,699,741
Cost of land sales		(726,020)	(17,487)
Depreciation of and charges on rented properties	22	(23,216,387)	(27,059,101)
Cost of rendered services	23	(5,171,060)	(4,027,430)
Cost of hospitality		(44,038)	(295,317)
Total cost of revenues		(29,157,505)	(31,399,335)
Gain on sale and disposal of investment properties	11	287,141	3,834,195
Net revenues from operations		37,366,053	40,134,601
Share of (loss)/income from associates and joint ventures	12	(11,825,909)	1,926,028
General and administrative expenses	24	(31,437,571)	(36,118,452)
Depreciation of fixed assets	13	(2,746,180)	(3,284,131)
Write-off of receivables	8(a,c)	(33,662,497)	(14,472,573)
Loss on rescheduled receivables		(2,213,291)	(685,432)
Provision for impairment, net	7(d),8(d),9,12	(35,046,987)	(79,262,415)
Provision for contingencies	15(e)	(8,556,736)	(14,250,000)
Write-back/(provision) for impairment of fixed assets	13	1,594	(360,430)
Other expense	26	(2,436,846)	(1,879,219)
Other income	27	332,902	302,539
Taxes, fees and stamps		(648,582)	(643,542)
Interest income	25	7,179,882	22,167,487
Interest expense	28	(33,725,167)	(34,057,398)
Loss on exchange, net		(80,067)	(80,060)
Loss before tax		(117,499,402)	(120,562,997)
Income tax benefit	15(c)	1,809,977	4,195,241
Loss profit for the year		(115,689,425)	(116,367,756)
Basic/diluted earnings per share	29	(0.70)	(0.71)
Attributable to:			
Equity owners of the Company		(115,689,425)	(116,367,756)
Loss for the year		(115,689,425)	(116,367,756)

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

	Notes	Year Ended December 31, 2018 US$	Year Ended December 31, 2017 US$
Loss for the year		(115,689,425)	(116,367,756)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		41,815	306,241
Other comprehensive income for the year		41,815	306,241
Total comprehensive loss for the year		(115,647,610)	(116,061,515)
Attributable to:			
Equity owners of the Company		(115,647,610)	(116,061,515)
		(115,647,610)	(116,061,515)

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	Legal Reserve	(Accumulated Losses)/ retained Earnings	Cumulative Foreign Currency Translation Reserve	Deficit on Treasury Shares' Activity	Total	Non-Controlling Interest	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Balance at January 1, 2017	1,650,000,000	170,435,346	230,926,613	(372,709)	(35,055,847)	2,015,933,403	-	2,015,933,403
Allocation to legal reserve from 2017 profits	-	31,359	(31,359)	-	-	-	-	-
Transfer to retained earnings	-	-	(35,055,847)	-	35,055,847	-	-	-
Total comprehensive loss for the year 2017	-	-	(116,367,756)	306,241	-	(116,061,515)	-	(116,061,515)
Balance as at December 31, 2017	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)	-	1,898,070,826		1,898,070,826
Allocation to Legal reserve from 2018 profit	-	7,840	(7,840)	-	-	-	-	-
Total comprehensive income 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

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, 2018 US$	2017 US$
Cash flows from operating activities:			
Loss for the year before income tax		(117,499,402)	(120,562,997)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	30 (a)	16,501,084	16,988,677
Gain on sale of investment properties	11	(287,141)	(3,834,195)
(Gain)/loss on sale of fixed assets	26,27	(4,426)	945,461
(Write-back)/provision for end-of-service indemnity, net	15 (d)	(1,307,329)	380,937
Provision for contingencies	15 (e)	8,556,736	14,250,000
(Write-back)/provision for impairment of fixed assets	13	(1,594)	360,430
Provision for impairment, net	7(d),8(d),9,12	35,046,987	79,262,415
Write-off of receivables	8 (a, c)	33,662,497	14,472,573
Loss on rescheduled receivables		2,213,291	685,432
Share of result of associates and joint ventures	12	11,825,909	(1,926,028)
Interest income	25	(7,179,882)	(22,167,487)
Interest expense	30 (b)	35,010,968	36,010,341
Changes in working capital:			
Prepayments and other debit balances		(15,033,480)	(9,913,655)
Accounts and notes receivable		137,557,685	60,270,340
Inventory of land and projects in progress		(48,388,645)	(64,636,703)
Accounts payable and other liabilities		(24,901,173)	33,301,887
Deferred revenues and other credit balances		3,197,120	(3,420,017)
Interest received		9,746,293	19,581,559
Settlements of end-of-service indemnity and other charges		(1,346,175)	(1,034,959)
Settlements from provision for contingencies		(6,533,488)	(43,200)
Taxes paid		(12,348,797)	(16,172,309)
Net cash generated from operating activities		58,487,038	33,876,661
Cash flows from investing activities:			
Investment in asset-backed securities		12,015,221	12,629,680
Acquisition of fixed assets	13	(623,625)	(824,603)
Acquisition of investment properties	11	(3,459,804)	(3,997,395)
Proceeds from sale of investment properties	11	1,504,973	5,211,000
Proceeds from sale of fixed assets	13	6,020	251,740
Investments in associates and joint ventures	12	45,763	(506,000)
Net cash provided by investing activities		9,488,548	12,764,422
Cash flows from financing activities:			
Term bank loans	18	63,421,361	(432,286)
Dividends paid	16	(783,304)	(4,161,657)
Interest paid		(34,948,761)	(34,628,368)
Short term bank facilities	14	(84,086,446)	(100,000,000)
Net cash used in financing activities		(56,397,150)	(139,222,311)
Net change in cash and cash equivalents		11,578,436	(92,581,228)
Cash and cash equivalents--Beginning of the year	30 (e)	(43,537,041)	49,044,187
Cash and cash equivalents--End of the year	30 (e)	(31,958,605)	(43,537,041)

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