



# Libyan Investment Authority ("LIA")

Overview of 2019 valuation

---

# Project Overview | Programme Structure

Project Alfa - LIA valuation and preparation of standalone financial statements project

Jan 2020

Dec 2020



## LIA Board of Directors

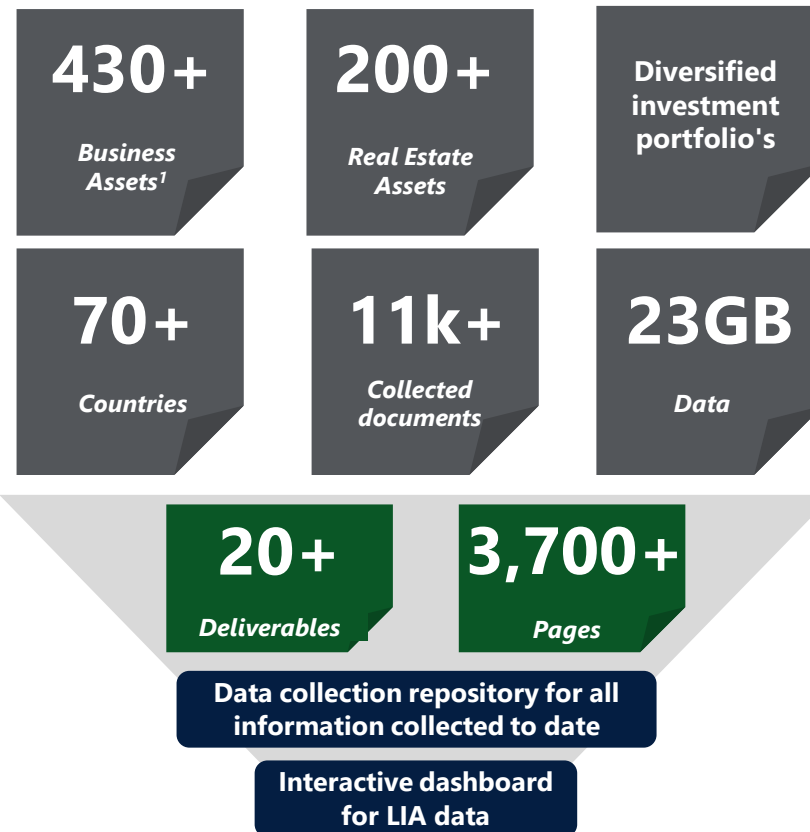
## Steering Committee

					
LIA	Oilinvest	LAIP	LAFICO	LLIDF	LTP

**Deloitte**  
Workstreams



## LIA valuation project in numbers





## Approach

---

# Approach | Terminology and Sources of information

This executive summary presents LIA portfolio composition as at 31 December 2019 based on Deloitte valuation reports

**The market value of the LIA portfolio is compartmentalized into the following main categories:**

## LIA (Direct) + Principal Subsidiaries

The LIA portfolio comprises of LIA (Direct) investments and five subsidiaries namely: LTP, LAFICO, LLIDF, LAIP, and Oilinvest (collectively, "Principal Subsidiaries"). LIA (Direct) and Principal Subsidiaries operate in a variety of industries and geographies and have investments in Business Assets, Real Estate Assets, fund investments ("Fund Investments"), cash ("Cash") and other balance sheet items ("Other BS Items")

### Business Assets

Business assets include investments in corporations, partnerships, and sole proprietorships

### Fund Investments

Investment in capital market investments including equity, bonds and other alternative debt/equity instruments

### Real Estate Assets

This includes real estate assets covering a variety of use classes such as vacant land, hospitality, retail, commercial, office and residential

### Cash

Includes all investments in cash, deposits and cash equivalents

### Other BS Items

Other BS Items include loans, provisions, other liabilities and balance sheet adjustments

#### Sources of information:

- We note that all information and valuation figures presented in this report are taken from the Project Alfa valuation reports (17 volumes) ("Project Alfa Valuation Reports") prepared by Deloitte in addition to information collected from LIA Management during Project Alfa.
- The purpose of this report is only to present the composition of LIA portfolio based on the valuation findings taken from the Project Alfa Valuation Reports. If there are any discrepancies within this report which may be due to data entry or human error, the valuation figures/conclusions presented in the Project Alfa Valuation Reports should be regarded as the correct figures.
- All valuation figures presented in this document are mid-point of the stated ranges of Fair Values presented in the Project Alfa Valuation Reports and should be read in conjunction with the key considerations and limitations noted in Project Alfa Valuation Reports.

# Approach | Measurement of Fair Value of Investments

## Valuation approach for Business Assets

### Valuation approach overview



Deloitte have estimated the FV of LIA as an investment holding company based on the **Sum-Of-The-Parts ("SOTP")** approach. Under this approach, each individual asset/business was valued separately and aggregated with any additional surplus assets/liabilities at the LIA level.

The choice of valuation approach for each individual investment was determined by the characteristics of the business/assets valued and the availability of reliable information. Wherever possible, Deloitte utilised more than one approach to corroborate Deloitte valuation results.

A summary of the valuation approaches and methodologies adopted is set out below:

- **Publicly listed entities:** For the listed investments, Deloitte applied level 1 inputs, i.e. the quoted price in their respective exchanges, wherever applicable; and
- **Private entities:** For the unlisted investments, based on available information, Deloitte utilised level 2 inputs under the market approach and/or the level 3 inputs under the Income and/or Cost approaches.

The Real Estate Asset investments held by LIA and its principal subsidiaries were valued in accordance with the Royal Institution of Chartered Surveyors (RICS) Red Book Global Standards by Deloitte dedicated team of RE valuation appraisers. Refer to the next slide for details of valuation methods for Real Estate Assets.

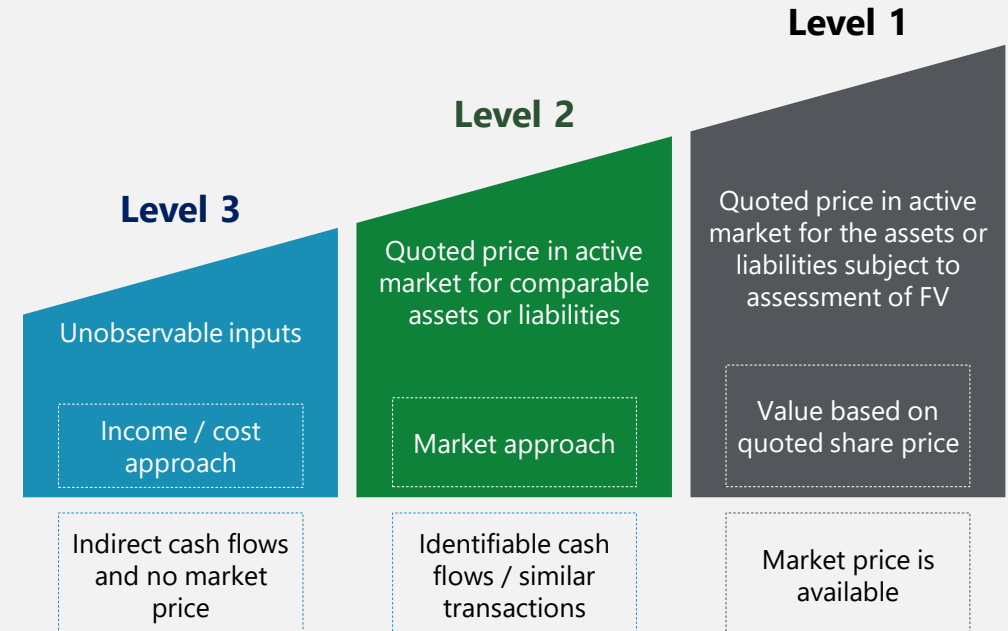
### Fair Value hierarchy in accordance with IFRS 13



Deloitte have considered the 'Fair Value' definition and valuation approach hierarchy prescribed under IFRS 13 - Fair Value Measurement.

IFRS 13 defines **Fair Value** as:

*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).*



# Approach | Measurement of Fair Value of Investments

## Valuation approach for Real Estate Assets

### Valuation approach overview



The valuation of the LIA's Real Estate Assets portfolio has been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Red Book Global Standards which incorporates International Valuation Standards.

The LIA's Real Estate Assets portfolio comprises all asset types including hotels, office accommodation, retail accommodation, industrial accommodation, agricultural facilities and vacant land.

Dependent upon the asset type, Deloitte have adopted the following valuation approaches:

#### **Market approach**

- Comparable method of valuation

#### **Income approach**

- Investment method of valuation
- Profits method of valuation

#### **Cost approach**

- Residual method of valuation
- Depreciated replacement cost method of valuation

### RE valuation process



Deloitte valuation process taken can be broken down into four phases, detailed as follows:

#### **Gather information**

Collected relevant information related to each of the real estate assets i.e. title deed, affection plans, floor area schedules, tenancy schedules, P&L statements, historical operational expenditure etc.

#### **Visual inspection**

Where possible (due to travel security and the current restrictions across the globe due to the COVID-19 pandemic), Deloitte have carried out a physical inspection of each real estate asset and the surrounding area. Where Deloitte have been unable to undertake an inspection, Deloitte have either relied on the inspections previously undertaken for part of the LIA portfolio in 2013 assuming there has been no material change since or as agreed with LIA Management, or Deloitte have completed work on a desktop basis.

#### **Research**

Deloitte have carried out both primary and secondary market research to assess the local real estate market and identify and assess key local benchmarks. Thereafter, Deloitte have collected comparable evidence and the required valuation data relevant to each of the real estate assets.

#### **Valuation**

Deloitte undertook a valuation of each of the real estate assets forming part of the portfolio on the basis of Fair Value as at 31 December 2017, 2018 and 2019 adopting the aforementioned methodologies.



# LIA Portfolio Valuation Overview

---

# LIA Portfolio Valuation Overview for 2019

The valuation of LIA diversified portfolio as at 31 December 2019 is estimated at USD 68,353m

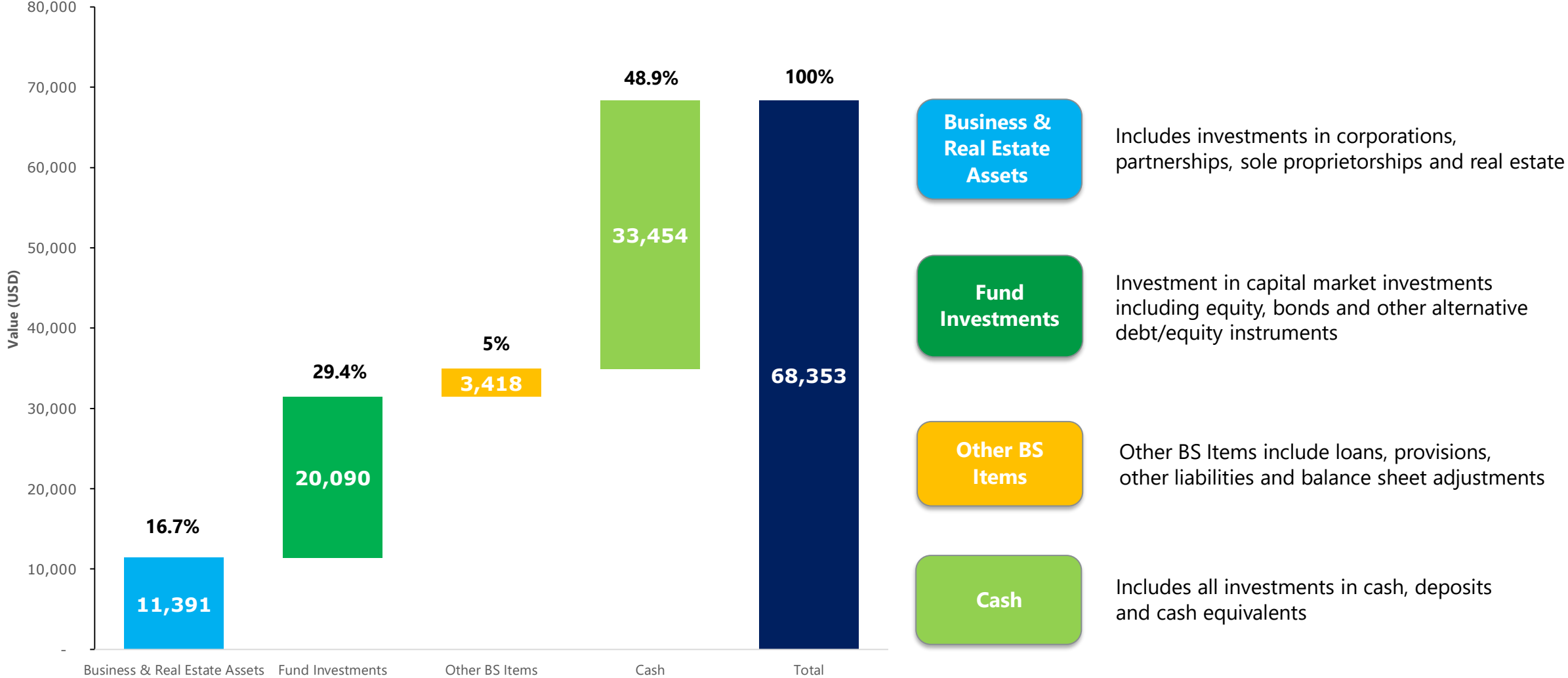
		No. of Business Assets	No. of Real Estate Assets	Investment portfolio	Value (USDm)	Value of contribution (%) <sup>1</sup>	
LIA Portfolio Overview	LIA (Direct)	14	3	✓	40,122	58.7%	
	Principal Subsidiaries	LTP	10	11	✓	11,047	16.2%
		LLIDF	23	23	—	8,918	13.0%
		LAFICO	136	90	—	4,466	6.5%
		LAIP	180	62	✓	2,166	3.2%
		Oilinvest	76	14	—	1,634	2.4%
	Sum - Principal Subsidiaries	425	200	✓	28,231	41.3%	
	Total	439	203	✓	68,353	100.0%	



# LIA Portfolio Asset Type Distribution Overview

Cash and fund investments represented over 75% of the market value of the total LIA portfolio

## LIA portfolio valuation breakdown (USDm)



# Potential Impact of Devaluation of LYD in 2021

A high-level indicative analysis of the effect of the new LYD exchange rate that was put into effect on 03 January 2021 on LIA's FV as at 31 December 2019 resulted in a potential decline in FV in the range of a USD 5.0bn to USD 6.0bn (7%-9%) in 2021

## Revised LYD exchange rate

- A public announcement issued on 16 December 2020 confirmed the Libyan Central Bank has set a new exchange rate of LYD 4.48 per USD to be effective from 3 January 2021.
- However, given that this communication was issued after the valuation dates and that IFRS precludes the benefit of hindsight, Deloitte have not considered the impact of this on the valuation of LIA as at the Valuation Dates.
- For informative purposes, Deloitte have analysed the high-level indicative impact of this revised rate on LIA's FY19 valuation.

## LIA impact

- Deloitte performed an indicative high-level analysis of the effect of the revised LYD 4.48 exchange rate on LIA's FY19 fair value.
- Deloitte note this analysis is only an indicative analysis for informative reasons and should not be relied upon for decision-making purposes.
- Based on Deloitte analysis, the effect on LIA's FY19 fair value is estimated to be a decline in the range of a USD 5.0bn to USD 6.0bn (7% - 9%).
- Approximately 95% of this decline originates from LLIDF, whose FV declines by 50% to 60%.

## Potential effect of new exchange rate on FY19 LIA FV

**(USD 5.0bn-  
USD 6.0bn)**  
(7%-9%)



## LIA entities with LYD as their functional currency

### **Libyan Local Investment & Development Fund ("LLIDF")**

- LLIDF standalone / Head office
- LLIDF Real Estate Assets (all)
- LLIDF Business Assets (all)

### **Libyan Arab Foreign Investment Company ("LAFICO")**

- LAFICO standalone / Head office
- NSR International IT Co.
- Libyan Hotels Development & Investment Joint Stock Co.
- United Libyan Tourism Investment Co.
- Arab Petroleum Services Co.
- Investment Co. for Medical Services
- Moamatat Financial Services Co.
- Africa Co. for Transportation & Trading
- Arab Parenteral & Pharmaceutical Co.

### **Libyan African Investment Portfolio ("LAIP")**

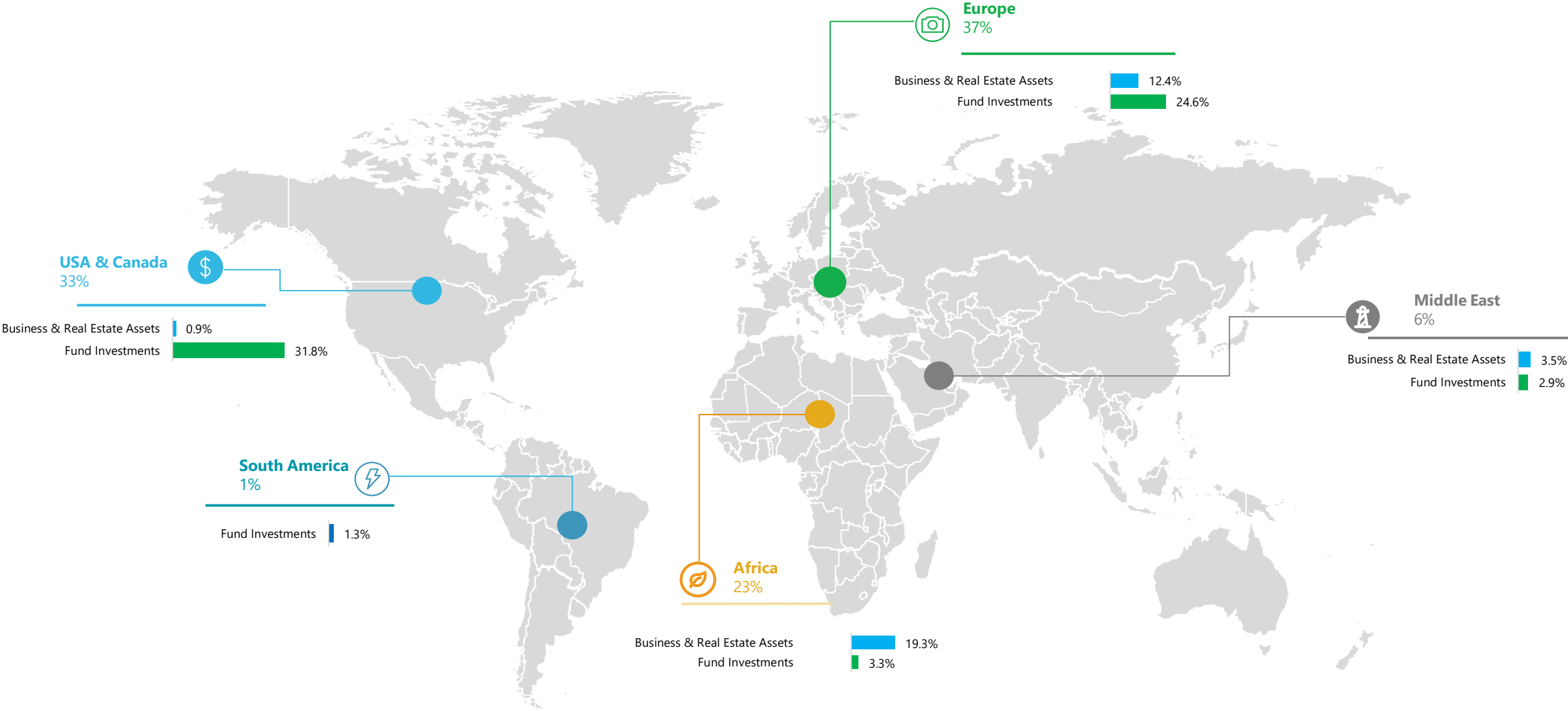
- LAICO (subsidiary of LAIP) standalone / Head office

### **LIA Directly Held**

- Libyan Norwegian Fertilizer Co. ("LIFECO")
- O&G investments: Medco & Nafusa

# LIA Portfolio Geographic Distribution Overview

Below chart outlines the geographic spread of LIAs portfolio across the globe excluding Cash and Other BS Items

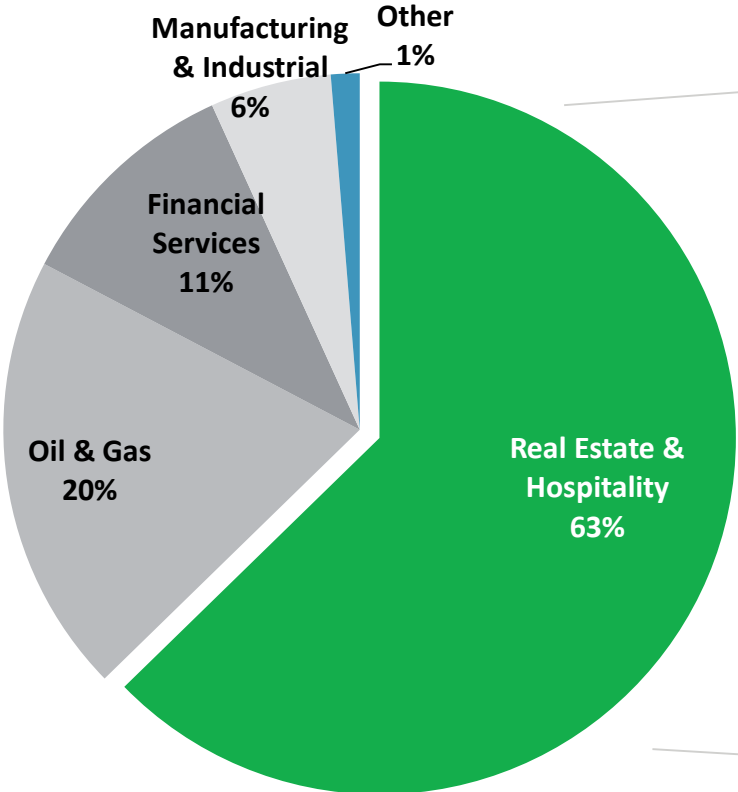


# LIA Portfolio Business and Real Estate Assets Overview

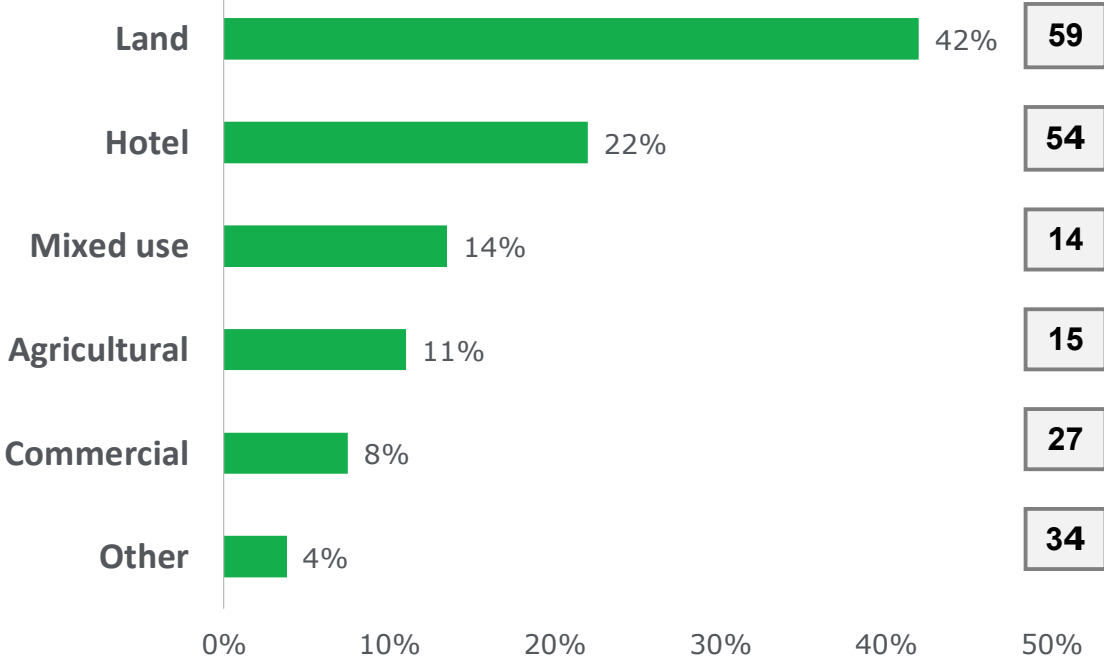
Over 80% of LIA's total portfolio valuation is concentrated in the Real Estate & Hospitality sector (63%) and Oil & Gas (20%)

**2019 Valuation: 11.4 USDm**      **# of Real Estate Assets: 203**      **# of Business Assets: 439**

LIA Business Assets value distribution by sector



LIA Real Estate Assets value distribution by use-class

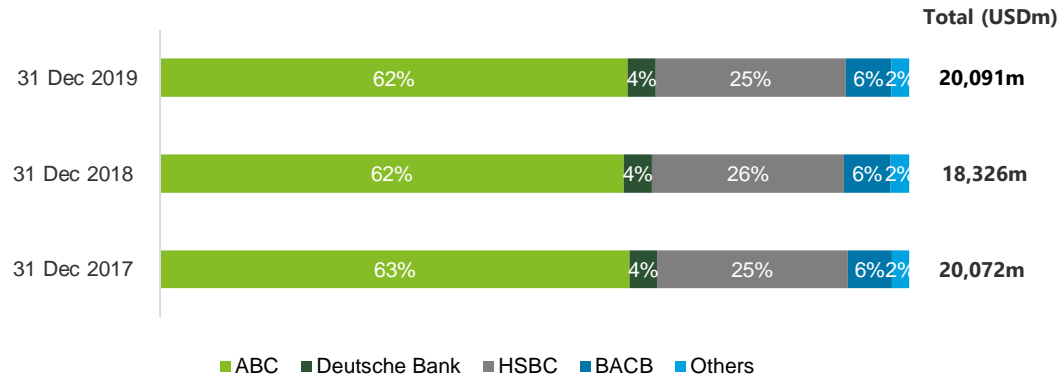


# LIA Portfolio Fund Investments Overview

LIA's Fund Investments portfolio is diversified across cash, fixed income, equity and alternative investments. Equity and cash investments represent 80% of the portfolio value

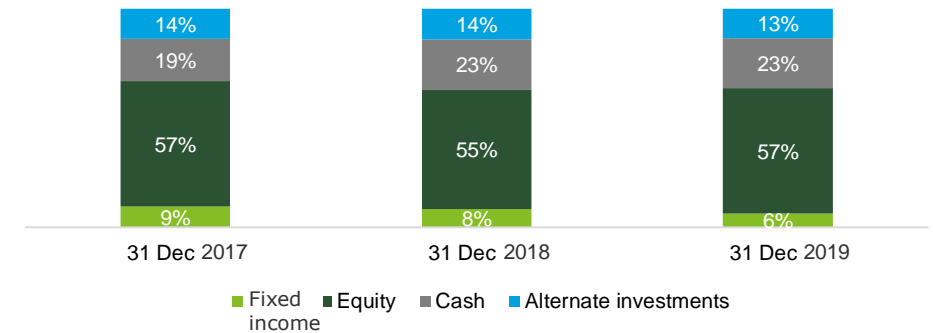
## Fund Investments portfolio breakdown by custodian

- ABC portfolio internally managed by LIA has the highest contribution to the total fund portfolio (62%-63%), followed by HSBC (25%-26%).



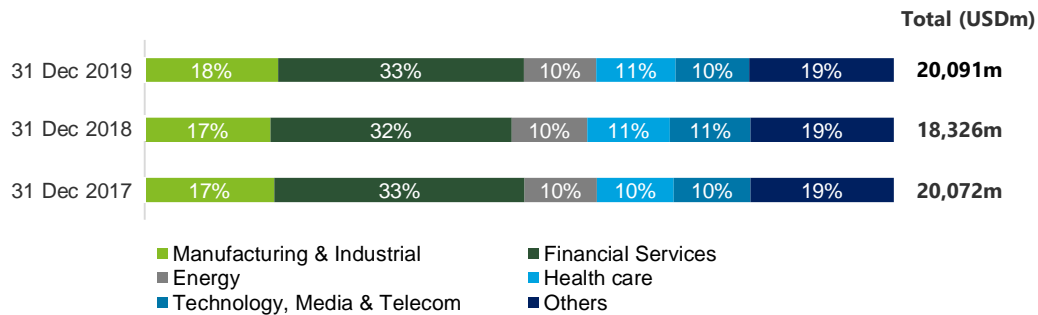
## Allocation between cash, equities and fixed income investments

- Between FY17 and FY19, the portfolio constituted primarily of equity investments (55%-57%), cash (19%-23%) and alternative investments (13%-14%)



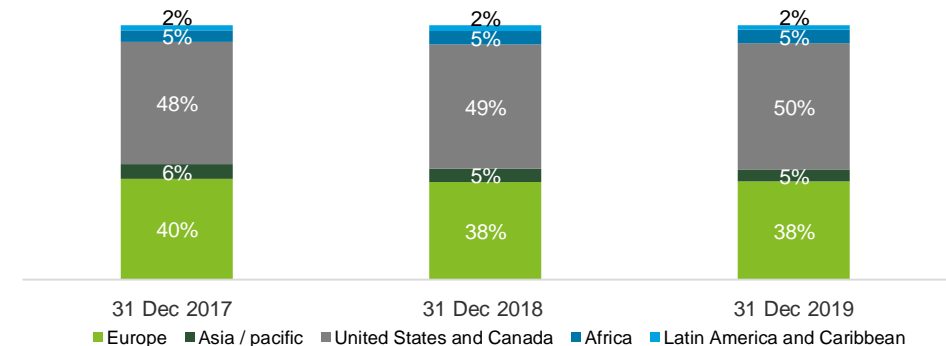
## Sector allocation

- The financials services sector contributed 32%- 33% to the total fund portfolio



## Geographic allocation

- Investments in North America contributed 48%-50% followed by investments in the European market contributing 38%-40%.





# LIA Financial Statements Overview

---

# LIA Financial Statements Snapshot

LIA draft standalone financial statements for the year ended 31 December 2019 have been prepared and are currently being reviewed by LIA external auditor in preparation for audit



## The first phase of the LIA plan to prepare standalone financial statements has been completed

Separate financial statements have been prepared for the year 2019 according to the evaluation inputs and are being reviewed by LIA external auditor in preparation for audit



## A plan has been prepared to launch the second phase of the project

A detailed project plan has been prepared to launch the consolidated financial statements of LIA for the year 2020

