ORASCOM CONSTRUCTION PLC

Consolidated Financial Statements

For the year ended 31 December 2018

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KPMG

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Independent Auditors' Report

To the Shareholders of Orascom Construction PLC (formerly Orascom Construction Limited)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Orascom Construction PLC ("the Company") (formerly Orascom Construction Limited) and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 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 the Dubai International Financial Centre ("DIFC") 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key Audit Matters (continued)

1 Accounting for construction contracts

Refer to notes 13 and 25 of the consolidated financial statements

Key audit matter

The Group recognises revenue and profit from construction contracts over time based on the progress of each construction contract. The progress of a construction contract is assessed with reference to the proportion of contract costs incurred for the work performed as at the reporting date, relative to the estimated total costs of the contract at completion.

The recognition of revenue and profit therefore relies on estimates made by management in relation to the final out-turn of revenue and costs on each contract. Changes to these estimates could give rise to material variances in the amount of revenue and profit/loss recognised. Cost contingencies may also be included in these estimates to take account of specific uncertainties, or disputed claims against the Group, arising within each contract. These contingencies are reviewed by the Group's management on a regular basis throughout the contract life and adjusted where appropriate. Subsequent variations from the initially agreed scope of work and claims arising under contracts may be included in these estimates. The amounts to be included are based on a contract-by-contract basis when the Group believes it is highly probable that a significant revenue reversal will not occur when the uncertainty associated with the variations are subsequently resolved.

There is a high degree of risk and significant management judgment associated with estimating the amount of revenue to be recognised by the Group based on the final out-turn on contracts; assessing the level of the contingencies; and recognising variations and claims.

With effect from 1 January 2018, the Group adopted IFRS 15 Revenue from Contracts with customers. The adoption of the new standard involved exercise of key judgements including identification of performance obligations, determination of transaction price that has to be allocated to the various performance obligations. Accordingly, revenue recognition from construction contracts is considered a key matter in relation to our audit of the Group.

How our audit addressed the key audit matter

Using a variety of quantitative and qualitative criteria, we have selected a sample of contracts to assess the reasonableness of the significant and complex contract estimates used by management in accounting for these contracts.

We obtained the detailed project status reports ("the reports") to support the estimates made by management in arriving at the progress of the Group's contracts and assessed the judgments underlying those reports with the audit evidence obtained including discussion with the Group's senior operational, commercial and financial management. In this area, our audit procedures included:

- reviewed the accounting policies adopted by the Group and ensured these policies had been applied to individual contracts with customers appropriately

Key Audit Matters (continued)

1 Accounting for construction contracts (continued)

How our audit addressed the key audit matter (continued)

- evaluated the group's application of IFRS 15 to its contracts with customers including identification of performance obligation and allocation of transaction price to each performance obligation;
- evaluating the financial performance of contracts against budget, available third party evidence and historical trends;
- conducting site visits to certain higher risk or larger value contracts, physically observing the progress of individual projects and identifying areas of complexity through observation and discussion with site personnel;
- assessing the reasonableness of the Group's judgment in respect of forecast contract out-turn, contingencies, settlements and the recoverability of contract balances via reference to our own assessments based on certain quantitative and qualitative factors, historical outcomes and industry norms;
- analyzing correspondence and other relevant documents obtained by management from customers around variations and claims and considering whether this information is consistent with the estimates made by the Group;
- inspecting selected contracts for key clauses, identifying relevant contractual mechanisms such as liquidated damages, defects liability and warranties and, assessing whether these key clauses have been appropriately accounted in the financial statements;
- considering whether provisions against contracts sufficiently reflect the level of risk, and challenging management's judgment in this area with reference to our own assessments; and
- considering the adequacy of the Group's disclosures in the consolidated financial statements in respect of contract accounting and the key risks relating to these amounts.

2 Expected credit loss allowances on receivables

Refer to note 9 and note 13 of the consolidated financial statements

Key audit matter

The Group is exposed to credit risk on its receivable balances including contract receivables, contract assets, amounts due from related parties and retention receivables.

Key Audit Matters (continued)

2 Expected credit loss allowances on receivables (continued)

Key audit matter (continued)

IFRS 9 – Financial Instruments was adopted by the Group on 1 January 2018 and has resulted in change in accounting for impairment from an incurred loss model to forward looking expected credit loss ("ECL") model. The determination of expected credit loss involves significant estimates and judgement.

Key areas involving judgements include current and future looking external factors, probability of default and loss given default. Due to judgement and complexities involved in the computation of ECL for determining impairment provision, there is a risk that the amount of ECL may be materially misstated.

Given the inherently judgemental nature of determining ECL and this being the first year of its application, this is considered as a key audit matter.

How our audit addressed the key audit matter

- obtaining an understanding of the Group's process for estimating ECL and assessing the appropriateness of the ECL preparation methodology and new accounting policy against the requirement of IFRS 9.
- identifying and testing key controls over the ECL model;
- assessing the reasonableness of key assumptions and judgments made by the management in determining the ECL allowances including segmentation of receivables, selection of ECL models and macroeconomic factors; and
- testing key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to the historical data.

3 Litigation and claims

Refer to note 26 of the consolidated financial statements

Key audit matter

Considering the nature of the Group's operations, it can be exposed to a number of litigations and claims. The recognition and measurement of provisions, contingent liabilities and contingent assets as well as making the necessary disclosures in respect of litigation and claims requires significant judgment by the management in assessing the outcome of each legal case which is based on management's discussion with internal and external legal advisors. Due to the significance of the litigations and claims and the difficulty in assessing and measuring the resulting outcome, this is considered as a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- evaluating the Group's policies, procedures and controls in relation to litigation, claims and provision assessments;

Key Audit Matters (continued)

3 Litigation and claims (continued)

How our audit addressed the key audit matter (continued)

- obtaining inputs from the Group's legal counsel, making independent enquiries and obtaining confirmations from internal and external lawyers to understand the background of each case, legal position and the material risks that may impact the Group's financial statements; and
- assessing reasonableness of judgment made by management, determining the adequacy of the level of provisioning and disclosure in the consolidated financial statements.

4 Accounting for tax

Refer to note 11 of the consolidated financial statements

Key audit matter

The Group operates in a number of tax jurisdictions. The complexities of local and international tax legislations and estimates used in accounting for deferred tax assets requires an understanding of the applicable tax laws and regulations in different jurisdictions. Furthermore, the recognition of deferred tax assets involves significant judgment and estimates with regards to the Group's future operations and applicable tax laws in the component jurisdictions and, as a result, this is considered as a key audit matter.

How our audit addressed the key audit matter

Our approach included:

- involving our tax specialists to assess the Group's tax positions including deferred tax, its correspondence with the relevant tax authorities, to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the legislation by the relevant authorities and courts;
- reviewing and assessing the reasonableness of the assumptions used in projecting the Group's future taxable profits and evaluating the expected tax planning strategies; and
- considering the adequacy of the Group's tax disclosures in the consolidated financial statements.

Key Audit Matters (continued)

5 Funding/Liquidity

Refer to note 6.2 of the consolidated financial statements

Key audit matter

The Group has net current liabilities of USD 123.6 million as of 31 December 2018. The Group's management assesses the Group's ability to meet its commitments and financial obligations as they fall due in the foreseeable future.

The availability of cash and expected cash flows are monitored internally by the corporate treasury department on an ongoing basis. Management also prepares cash flow projections periodically, and at the reporting date management expects that the Group will meet the funding requirements through future income generated from operations and existing funding lines and facilities available to the Group.

Management is required to consider any material uncertainty that may cast significant doubt about the Group's ability to meet its future obligations.

Due to the inherent uncertainties associated with the management's cash flow forecasts, funding and liquidity is a key audit matter.

How our audit addressed the key audit matter

Our audit procedures in assessing whether the Group will be able to meet its financial obligations and commitments as they fall due in the foreseeable future included:

- reviewing the cash flow projections of the Group for the financial year ending 31 December 2019 and assessing its reasonableness by referring to the Group's current operational level, its project backlog as at 31 December 2018 and the expected projects in the future;
- reviewing the management's forecast on the Group's funding requirements and existing funding lines and facilities available to the Group; and
- assessing whether appropriate disclosures have been made in the consolidated financial statements with respect to the liquidity position over a period of 12 months from the reporting date.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS and their preparation in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018 and for such internal control as management determines is necessary to enable the preparation of 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.

Auditors' 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 auditors' 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 ISAs 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 ISAs, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 auditors' 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.

Report on Other Legal and Regulatory Requirements

We further report that the consolidated financial statements comply, in all material respects, with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018.

KPMG

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Freddie Cloete
Partner
Date: 26 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

$ millions	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	(7)	**159.3**	155.4
Goodwill	(8)	**13.8**	13.8
Trade and other receivables	(9)	**15.2**	15.8
Equity accounted investees	(10)	**419.5**	421.8
Deferred tax assets	(11)	**35.9**	34.5
Total non-current assets		**643.7**	641.3
Current assets			
Inventories	(12)	**283.3**	232.2
Trade and other receivables	(9)	**1,243.1**	1,146.7
Contracts work in progress	(13)	**526.7**	488.8
Current income tax receivables		**0.1**	3.2
Cash and cash equivalents	(14)	**402.5**	434.2
Total current assets		**2,455.7**	2,305.1
Total assets		**3,099.4**	2,946.4
Equity			
Share capital	(15)	**116.8**	116.8
Share premium		**480.2**	761.5
Reserves	(16)	**(335.6)**	(318.8)
Retained earning (accumulated losses)		**170.5**	(201.6)
Equity attributable to owners of the Company		**431.9**	357.9
Non-controlling interest	(17)	**39.6**	44.6
Total equity		**471.5**	402.5
Liabilities			
Non-current liabilities			
Loans and borrowings	(18)	**2.3**	11.3
Trade and other payables	(19)	**43.0**	44.9
Deferred tax liabilities	(11)	**3.3**	4.9
Total non-current liabilities		**48.6**	61.1
Current liabilities			
Loans and borrowings	(18)	**373.0**	249.4
Trade and other payables	(19)	**1,025.7**	1,076.5
Advanced payments from construction contracts		**606.0**	484.7
Billing in excess of construction contracts	(13)	**410.8**	529.7
Provisions	(20)	**103.3**	62.3
Income tax payables		**60.5**	80.2
Total current liabilities		**2,579.3**	2,482.8
Total liabilities		**2,627.9**	2,543.9
Total equity and liabilities		**3,099.4**	2,946.4

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

This consolidated financial statements were approved by the Board of Directors and authorized for issue on 28 March 2019 and signed on their behalf by:

-------------------------- Director

-------------------------- Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended

$ millions	Note	31 December 2018	31 December 2017
Revenue	(25)	3,013.5	3,678.7
Cost of sales	(21)	(2,673.4)	(3,354.0)
Gross profit		**340.1**	**324.7**
Other income	(22)	8.3	4.9
Selling, general and administrative expenses	(21)	(181.3)	(153.9)
Operating profit		**167.1**	**175.7**
Finance income	(23)	23.0	36.3
Finance cost	(23)	(28.1)	(60.1)
Net finance cost		**(5.1)**	**(23.8)**
Income from equity accounted investees (net of tax)	(10)	56.3	55.6
Profit before income tax		**218.3**	**207.5**
Income tax	(11)	(63.6)	(122.4)
Net profit for the year		**154.7**	**85.1**
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences		(17.0)	21.6
Other comprehensive (loss) income, net of tax		**(17.0)**	**21.6**
Total comprehensive income		**137.7**	**106.7**
Net profit attributable to:			
Owners of the Company		144.7	78.5
Non-controlling interest	(17)	10.0	6.6
Net profit for the year		**154.7**	**85.1**
Total comprehensive income attributable to:			
Owners of the Company		127.9	99.8
Non-controlling interest	(17)	9.8	6.9
Total comprehensive income		**137.7**	**106.7**
Earnings per share (in USD)			
Basic earnings per share	(24)	1.24	0.67

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

$ millions	Share capital (15)	Share premium	Reserves (16)	Retained earnings (accumulated losses)	Equity attributable to owners of the Company	Non-controlling interest (17)	Total equity
Balance at 1 January 2017	**117.8**	**768.8**	**(348.4)**	**(281.3)**	**256.9**	**45.5**	**302.4**
Net profit	-	-	-	78.5	**78.5**	6.6	**85.1**
Other comprehensive income	-	-	21.3	-	**21.3**	0.3	**21.6**
Total comprehensive income	**-**	**-**	**21.3**	**78.5**	**99.8**	**6.9**	**106.7**
Dividends	-	-	-	-	**-**	(2.2)	**(2.2)**
Change in non-controlling interest	-	-	-	-	**-**	(5.6)	**(5.6)**
Other	-	-	-	1.2	**1.2**	-	**1.2**
Shares reduction	(1.0)	(7.3)	8.3	-	**-**	-	**-**
Balance at 31 December 2017	**116.8**	**761.5**	**(318.8)**	**(201.6)**	**357.9**	**44.6**	**402.5**
Net profit	-	-	-	144.7	**144.7**	10.0	**154.7**
Other comprehensive loss	-	-	(16.8)	-	**(16.8)**	(0.2)	**(17.0)**
Total comprehensive income	**-**	**-**	**(16.8)**	**144.7**	**127.9**	**9.8**	**137.7**
Share premium conversion	-	(281.3)	-	281.3	-	-	-
Dividends	-	-	-	(30.0)	**(30.0)**	(12.5)	**(42.5)**
Change in non-controlling interest	-	-	-	-	**-**	(2.3)	**(2.3)**
Other	-	-	-	(23.9)	**(23.9)**	-	**(23.9)**
Balance at 31 December 2018	**116.8**	**480.2**	**(335.6)**	**170.5**	**431.9**	**39.6**	**471.5**

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended

$ millions	Note	31 December 2018	31 December 2017
Net profit for the year		154.7	85.1
Adjustments for:			
Depreciation	(7)	40.0	37.2
Interest income (including gain on derivatives)	(23)	(16.2)	(17.4)
Interest expense (including loss on derivatives)	(23)	26.2	18.2
Foreign exchange gain (loss) and others	(23)	(4.9)	23.0
Share in income of equity accounted investees	(10)	(56.3)	(55.6)
Gain on sale of property, plant and equipment	(22)	(1.6)	(0.9)
Income tax	(11)	63.6	122.4
Changes in:			
Inventories	(12)	(51.1)	(41.1)
Trade and other receivables	(9)	(62.3)	(95.9)
Contract work in progress	(13)	(37.9)	(39.6)
Trade and other payables	(19)	(128.4)	60.2
Advanced payments construction contracts		121.3	102.4
Billing in excess of construction contracts	(13)	(118.9)	(131.1)
Provisions	(20)	41.0	(53.9)
Cash flows:			
Interest paid	(23)	(24.9)	(16.9)
Interest received	(23)	8.0	17.4
Dividends from equity accounted investees	(10)	43.2	30.0
Income taxes paid		(49.4)	(42.2)
Cash flow (used in) from operating activities		**(53.9)**	**1.3**
Investments in property, plant and equipment	(7)	(50.2)	(41.8)
Proceeds from sale of property, plant and equipment		7.3	11.5
Cash flow used in investing activities		**(42.9)**	**(30.3)**
Proceeds from borrowings	(18)	313.1	133.1
Repayment of borrowings	(18)	(198.5)	(175.2)
Other long term liabilities		(1.9)	(0.5)
Dividends paid to shareholders		(30.0)	-
Other		(14.9)	(7.8)
Cash flow from (used in) financing activities		**67.8**	**(50.4)**
Net decrease in cash and cash equivalents		**(29.0)**	**(79.4)**
Cash and cash equivalents at 1 January	(14)	434.2	506.9
Currency translation adjustments		(2.7)	6.7
Cash and cash equivalents at 31 December	(14)	**402.5**	**434.2**

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

Orascom Construction PLC (‘OC PLC’) is a Public Company, incorporated with registered number 1752 in the Dubai International Financial Center (DIFC) with its head office located at Gate Village-Building 3, DIFC, Dubai, UAE. OC PLC is dual listed on the NASDAQ Dubai and the Egyptian Stock Exchange. The consolidated financial statements for the year ended 31 December 2018 comprise the financial statements of OC PLC, its subsidiaries and joint operations (together referred to as the ‘Group’) and the Group’s interests in associates and joint ventures.

OC PLC was incorporated on 18 January 2015 as Orascom Construction Limited by shares and converted to a Public Company under the Law, DIFC Law No. 5 of 2018 as at 12 November 2018.

OC PLC is primarily engaged as an international engineering and construction contractor focused on large-scale infrastructure, complex industrial and high-end commercial projects in the United States,Middle East, Africa and Central Asia for public and private clients.

2. Basis of preparation

2.1 General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards(”IFRS”), and applicable requirements of the Commercial Companies Law and the Capital Market Authority in Dubai / Egypt.

This is the first set of the Group’s annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3.7, 3.13 and 3.15.

The consolidated financial statements have been prepared on the historical cost basis, except when otherwise indicated.

The financial year of OC PLC commences on 1 January and ends on 31 December.

These consolidated financial statements are presented in US dollars (‘USD’), which is OC PLC’s presentation currency. All values are rounded to the nearest tenth million (in millions of USD), except when stated otherwise.

The consolidated financial statements have been authorised for issue by the Company’s Board of Directors on 26 March 2019.

3. Summary of significant accounting policies

3.1 Consolidation

The consolidated financial statements include the financial statements of OC PLC, its subsidiaries and the proportion of OC PLC’s ownership of joint operations.

Subsidiaries

Subsidiaries are all companies to which OC PLC is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee, generally accompanying a shareholding of more than half of the shares issued and related voting power. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. When OC PLC ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss including related cumulative translation adjustments accumulated in other comprehensive income. If it becomes an associate, the interest retained is subsequently valued in accordance with the equity method. The principal subsidiaries are listed in the section ‘Miscellaneous’.

Transactions eliminated in the consolidated financial statements

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of OC PLC’s interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2 Discontinued operations / assets held for sale

A discontinued operation is a component of OC PLC's business which:

- has operations and cash flows that can be clearly distinguished from the rest of OC PLC;
- represents a separate major line of business or geographical area of operations; and
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative information in the statement of comprehensive income and the consolidated statement of cash flows are reclassified as if the operation had been discontinued from the start of the comparative period. In the statement of financial position, the comparative numbers are not reclassified.

3.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 'Financial Instruments: Recognition and Measurement', is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Non-controlling interests

Non-controlling interests are presented as a separate component in equity. Changes in the Group's interest in a subsidiary or joint operation that do not result in a loss of control are accounted for as an equity transaction.

3.4 Associates

Associates are those companies in which the Group exercises significant influence, but does not have control over the financial and operating policies, which is presumed to exist when the Group holds 20 percent to 50 percent of the shareholding and related voting rights of the other entity. Associates are accounted for by applying the 'equity method'. The Group's share of profit or loss of an investee is recognized in profit or loss from the date when significant influence begins up to the date when that influence ceases. Investments in associates with negative shareholder's equity are impaired and a provision for its losses is recognized only if the Group has a legal or constructive obligation to cover the losses. Equity changes in investees accounted for using the equity method that do not result from profit or loss are recognized directly in other comprehensive income. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealized gains on transactions between two associates are not eliminated.

3.5 Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each investor. Those joint arrangements that are assessed as joint ventures are accounted for using the equity method. Joint operations are accounted for using the line-by-line accounting.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted subsequently for the group's share in the post-acquisition profit or losses and movements in comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the Group's net

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investment in joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

A joint operation is proportionately consolidated until the date on which the Group ceases to have joint control over the joint operation. Upon loss of joint control, the Group reassesses the joint operation.

3.6 Foreign currency translation

Foreign currency transactions

The financial statements of subsidiaries and joint operations are prepared in the currencies which are determined based on the primary economic environment in which they operate ('the functional currency'). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing closing-rates. Exchange differences arising on the settlement and translation of monetary items are included in profit or loss for the period except when deferred to other comprehensive income for available-for-sale assets and the effective part of qualifying cash flow hedges.

Foreign currency operations

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the US dollar are translated into US dollars using the exchange rates prevailing at the balance sheet date. Income and expense items are translated using exchange rates prevailing at the date of the transactions. Investments in joint ventures and associates with a functional currency other than the US dollar are translated into US dollar using exchange rates prevailing on the balance sheet date. Exchange rate differences arising during consolidation and on the translation of investments in subsidiaries, joint arrangements and associates are included in other comprehensive income, as 'currency translation adjustments'. When a foreign operation is (partly) disposed of or sold, (the proportionate share of) the related currency translation differences that were recorded in other comprehensive income are recycled to profit or loss as part of the gain and loss on disposal or sale. Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are considered as assets and liabilities denominated in the functional currency of the foreign subsidiary.

3.7 Financial instruments

Policy applicable before 1 January 2018

Classification and subsequent measurement Financial assets

The Group classified its financial assets into one of the following categories:

- Loans and receivables;
- Held to maturity;
- Available for sale; and
- At fair value through profit or loss.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

Measured at amortised cost using the effective interest method.

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Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Policy applicable from 1 January 2018

I. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

II. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed

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or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement – financial assets
Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see accounting policy on impairment). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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III. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

IV. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date (original maturity) that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Restricted cash comprises cash balances where specific restrictions exist on the Group's ability to use this cash. Restricted cash includes cash deposited as collateral for letters of credit issued by the Group.

3.9 Share capital

Ordinary shares are classified as equity. Share premium is the excess amount received over the par value of the shares. Incremental costs directly attributable to the issue of new shares are recognized in equity as a deduction, net of tax, from the proceeds. When ordinary shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognized as a deduction from 'Reserves'. Repurchased shares are classified as treasury shares and are presented in 'Reserves'. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in 'Reserves', and the resulting surplus or deficit on the transaction is presented in share premium.

3.10 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes cost of material, direct labour, other directly attributable cost incurred to bring the asset ready to its intended use, cost of asset retirement obligations and any capitalized borrowing cost.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance costs are expensed as incurred. Spare parts of property, plant and equipment are recognized under property, plant and equipment if the average turn-over exceeds 12 months or more, otherwise they are recognized within inventories.

Finance leases

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Leased assets in which the Group bears substantially all the risks and rewards incidental to ownership are classified as finance leases and recognized under property, plant and equipment. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of minimum lease payments. Minimum lease payments made under finance leases are apportioned between the interest expenses and the reduction of the outstanding liability. The interest expenses are recognized as other financing cost over the lease term. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Property, plant and equipment under construction

Expenditures incurred for purchasing and constructing property, plant and equipment are initially recorded as 'under construction' until the asset is completed and becomes ready for use. Upon the completion of the assets, the recognized costs are reclassified from 'under construction' to its final category of property, plant and equipment. Assets under construction are not depreciated and measured at cost less any impairment losses.

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis through profit or loss over the estimated useful lives of each component, taking into account any residual values. Finance lease assets are depreciated over the shorter of the lease term and their useful lives. If it is reasonably certain that the Group will obtain ownership by the end of the lease term, the finance lease assets are depreciated over their useful lives. Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for items of property, plant and equipment are as follows:	Years
Buildings	10 - 50
Equipment	5 - 25
Fixtures, fittings and scaffolding	3 - 10

Depreciation methods, useful lives and residual values are reviewed at each reporting date by the Group.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are recognized as part of the cost of those assets. All other borrowing costs are recognized as 'Finance cost' in the period in which they are incurred.

3.11 Goodwill

Goodwill represents the excess of the cost, being the excess of the aggregate of the consideration transferred including the amount recognized for non-controlling interest, of an acquisition over the fair value of the Group's share in the net identifiable assets and liabilities assumed of the acquired subsidiary at the date of acquisition.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

Goodwill on acquisition of entities that qualify as subsidiaries is presented under 'Intangible assets'. Goodwill on acquisitions of entities that qualify as associates or joint ventures is included in 'Associates'. Goodwill on acquisition of subsidiaries is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of units that are expected to benefit from the business combination through which the goodwill arose, based on past experience.

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is tested annually for impairment; an impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of the cash-generating unit is determined by the higher of its fair value less cost to sell and its value in use. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold. All other expenditures on internally generated goodwill and other intangible assets are recognized in profit or loss as incurred.

3.12 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of raw materials, spare parts and supplies cost are based on weighted average principle or the first-in-first-out method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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3.13 Impairment of assets

Non-derivative financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the trade receivable is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Derivative financial assets

Derivative financial assets are measured at fair value and the Group investigates whether the counterparty creditworthiness gives rise to an impairment.

Non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortization but are tested annually for

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impairment or more frequently when indicators arise. Assets with a finite useful life are subject to depreciation or amortization and are reviewed (at least at the balance sheet date) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped based on the lowest level for which there are separately identifiable cash flows (cash-generating units). Impairment is recognized as an expense in profit or loss. Non-financial assets, which are impaired, are tested periodically to determine whether the recoverable amount has increased and the impairment has to be (partially) reversed. Impairment losses on goodwill are not reversed. Reversal of impairments is only permitted if in a subsequent period after an impairment loss has been recognized, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment loss was recognized.

3.14 Provisions

Provisions are recognized when a present legal or constructive obligation as a result of a past event exists, and it is probable that an outflow of economic benefits is required to settle the obligation. The non-current part of provisions is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Warranties

A provision for warranties is recognized with respect to services performed and goods sold.

Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced, the Group has committed itself by public announcement or is expected to commit itself to a restructuring plan.

Onerous contract

A provision for contracts onerous loss is recognized if the Group expects that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. A provision for contracts onerous loss is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Legal

The Group is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Group. If it is probable that an obligation to the Group exists, which will result in an outflow of resources and the amount of the outflow can be reliably estimated, a provision is recognized.

3.15 Revenue from Contracts with Customers

The Group has adopted Revenue from Contracts with Customers (IFRS 15) with an initial application date of 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group applied IFRS 15 using the modified retrospective approach which requires the Company to recognize the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of equity as at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 - Revenue. As the application of IFRS 15 has immaterial impact on the financial statements, the Group has not made any adjustments to the statement of financial position as at 1 January 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

For contracts determined to be within the scope of revenue recognition, the Group is required to apply a five-step model to determine when

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to recognise revenue, and at what amount.

The Group recognises revenue from contracts with customers based on the five steps model set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i. The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
ii. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
iii. The Group's performance does not create an asset with an alternative use to the Group and its an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component

The Group evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Group adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Group and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

The Group treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Cost of obtainment and fulfillment

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The Group capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Group recognises an asset only if the fulfillment costs meet the following criteria:

- Relate directly to an existing contract or specific anticipated contract;
- Generate or enhance resources that will be used to satisfy performance obligations in the future; and
- Are expected to be recovered.

If the costs incurred to fulfill a contract are in the scope of other guidance, then the Group accounts for such costs using the other guidance.

The Group amortises the asset recognised for the costs to obtain and/or fulfill a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, the Group recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

Revenue from sale of goods

Sales are recognised when control of the products is transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from the sale is recognised in the statement of profit or loss on when the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from construction

As regards the Contracting business lines, the Group has carried out in-depth analysis of a set of contracts that represent material transactions and contract types. The analysis confirms the following conclusions:

- Revenue generated from most construction and service contracts is recognised as a single performance obligation involving the gradual transfer of control. This approach remains consistent with IFRS 15.
- To measure a contract's percentage of completion, the Group uses either a cost-based method or a method based on the physical percentage of completion. For contracts in which the measurement method corresponds to the physical percentage of completion, the introduction of IFRS 15 is unlikely to lead to the recognition of any material adjustments to opening equity.
- Contracting business lines may receive advances, which are mainly intended to secure and limit non-recovery risks in relation to work done for the customer. As a result, analysis has shown that the primary objective of these advances is not to meet the funding requirements of Group subsidiaries. Lastly, advances received are consumed over relatively short timeframes. In conclusion, the Group has taken the view that the IFRS 15 provisions relating to the identification of a financial activity are not met.

In the Concessions business, the Group has not identified any impact on the method for recognising revenue from concession contracts based on the current IFRIC 12 model. Analysis confirms that there is only one performance obligation during the construction phase of the Group's concession contracts. The provisions of concession contracts have not led to the identification of any distinct performance obligation relating to infrastructure maintenance and renewal works. Those works will continue to be subject to specific provisions measured and recognised in accordance with IAS 37.

3.16 Government grants

An unconditional government grant related to an asset is recognized in profit or loss as 'Other income' when the grant becomes receivable. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. Grants that compensate the Group for expenses incurred are recognized in profit or loss as 'Other income' on a systematic basis in the periods in which the expenses are recognized. Other government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognized in profit or loss as 'Other income' on a systematic basis over the useful life of the asset.

3.17 Operating leases

Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made by Orascom Construction PLC under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a 'straight-line' basis over the period of the lease.

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3.18 Finance income and cost

Finance income comprises:

- interest income on funds invested (including available-for-sale financial assets);
- gains on the disposal of available-for-sale financial assets;
- fair value gains on financial assets at fair value through profit or loss;
- gains on the re-measurement to fair value of any pre-existing interest in an acquired business combination;
- gains on hedging instruments that are recognized in profit or loss and reclassifications of amounts previously recognized in other comprehensive income; and
- interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance cost comprise:

- interest expense on borrowings;
- unwinding of the discount on provisions and contingent consideration;
- losses on disposal of available-for-sale financial assets;
- fair value losses on financial assets at fair value through profit or loss; and
- impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss are expensed as incurred.

Foreign currency gains and losses are recognized on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.19 Employee benefits

Defined contribution plan

Certain Group subsidiaries provide 'pension plans', 'end of service remuneration plans' and 'long-term service benefits'. These pension plans qualify as defined contribution plans. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

The Group long-term employee benefits are recognized if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably to determine its present value. The discount rate is the yield at the balance sheet date on triple-A ('AAA') credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. Re-measurements are recognized in profit or loss in the period in which they arise.

Termination benefits

Employee termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. OC PLC recognizes termination benefits when OC PLC is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or when OC PLC is providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

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3.20 Income tax

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the current income tax relates to the same fiscal authority.

Deferred tax

Deferred income tax liabilities are recognized for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements ('liability' method). Deferred income tax assets are recognized for all deductible temporary differences, unused carry forward losses and unused carry forward tax credits, to the extent that it is probable that future taxable profit will be available against which the deferred income tax assets can be utilized.

Deferred income tax is not recognized if it arises from initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Also, no deferred income tax is recognized regarding the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

3.21 Segment reporting

An operating segment is a component of an entity that engages in business activities for which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resource allocation to the segment and to assess its performance and for which discrete financial information is available. The Group determines and presents operating segments on the basis of information that internally is provided to the CODM during the period.

3.22 Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the 'indirect' method. Cash flows in foreign currencies have been translated applying average exchange rates. Currency translation differences are shown separately in the consolidated statement of cash flows. Cash flows from investing activities consist mostly of investments and divestments in property, plant and equipment, intangible assets, and acquisitions insofar as these are paid for in cash. Acquisitions or disposals of subsidiaries are presented as acquisition of subsidiary, net of cash, acquired. Cash flows relating to capitalized borrowing cost are presented as cash flows from investment activities similar as other cash flows to acquire the qualifying asset.

3.23 Earnings per share

Earnings per ordinary share are calculated by dividing the profit or loss (net) attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. In making this calculation the (ordinary) treasury shares are deducted from the number of ordinary shares outstanding. The calculation of the diluted earnings per share is based on the weighted average number of ordinary shares outstanding plus the potential increase as a result of the conversion of convertible bonds and the settlement of share-based compensation plans (share option plans). Anti-dilutive effects are not included in the calculation. With regard to the convertible notes it is assumed that these are converted in full. An adjustment is made to profit or loss (net) to eliminate interest charges, whilst allowing for effect of taxation. Regarding equity-settled share option plans it is assumed that all outstanding plans will vest. The potential increase arising from share option plans is based on a calculation of the value of the options outstanding. This is the number of options multiplied by the exercise price, divided by the average share price during the financial year. This potential increase is only applied if the option has intrinsic value.

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3.24 Subsequent events

The Group assesses whether events occurring between the balance sheet date and the date of issues of the Combined Financial Statements have given rise to either adjusting events or non-adjusting events. Adjusting events are events that provide evidence of conditions that existed at the end of the reporting period and have to be recognized in the financial statements. Non-adjusting events are those events that are indicative of conditions that arose after the reporting period, these events are disclosed. Changes in estimates are only adjusted if the estimates contain errors.

4. New accounting standards and policies

On a regular basis, the IASB issues new accounting standards, amendments and revisions to existing standards and interpretations.

4.1 Standards, amendments, revisions and interpretations effective to the OC PLC in 2018

There are no significant effects with respect the adoption of any standards, amendments and revisions to existing standards and interpretations.

4.2 Standards, amendments, revisions and interpretations not yet effective to OC PLC

IFRS '16 Leases'

IASB has introduced a new leases standard, IFRS 16, which supersedes IAS 17 leases. The Group is required to apply IFRS 16 with effect from 1 January 2019. The Group can choose to apply IFRS 16 before that date but only if it applies IFRS 15 Revenue from Contracts with Customers. A lessee can choose to apply the standard retrospectively to all accounting periods or as a 'big bang' at the date of initial application. The Group is not required to reassess whether existing contracts contain a lease but can choose to apply IFRS 16 to leases identified applying IAS 17, and not apply IFRS 16 to other contracts. The new standard requires the lessee to recognise the operating lease commitment on balance sheet. IFRS 16 does not require a lessee to recognise assets and liabilities for short-term leases (12 months or less), for leases ending within 12 months of the date of first applying the new standard and, for leases of low-value assets such as personal computers. Management expects the impact to be limited from an income prospective. Impact in the balance sheet will not result in a fundamental change in total assets and liabilities. The actual impact of adopting the standard on 1 January 2019 may change because of the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

5. Critical accounting judgement, estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the consolidated financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the revision period and future periods, if the changed estimates affect both current and future periods. The most critical accounting policies involving a higher degree of judgment and complexity in applying principles of valuation and for which changes in the assumptions and estimates could result in significantly different results than those recorded in the financial statements are the following:

Intangible assets

Intangible assets with finite useful lives are carried at cost less cumulative amortization and any impairment. Amortization is calculated using the 'straight-line' method based on the estimated useful lives. Management makes estimates regarding the useful lives and residual values and assumes that amortization takes place on a 'straight-line' basis. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. For intangible assets with finite useful lives, OC PLC assesses annually or more frequently whether indicators exist that suggest the intangible asset might be impaired by comparing the recoverable amounts with their carrying amounts. In determining the recoverable amounts of intangible assets, OC PLC makes estimates and assumptions about future cash flows based on the value in use. In doing so, OC PLC also makes assumptions and estimates regarding the discount rates in order to calculate the net present value of the future cash flows.

OC PLC tests at least annually whether goodwill is impaired by comparing the recoverable amounts of cash-generating units with their carrying amounts. The recoverable amount is the higher of the fair value less cost to sell and the value in use. In determining the recoverable amount, OC PLC makes estimates and assumptions concerning future revenues, future costs, future working capital, future investments, Weighted Average Cost of Capital (WACC) and future inflation rates.

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Property, plant and equipment

Depreciation is calculated using the 'straight-line' method based on the estimated useful lives, taking into account any residual values. Management makes estimates regarding the useful lives and residual values and assumes that depreciation takes place on a 'straight-line' basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. OC PLC assesses annually, or more frequently, whether indicators exist that suggest that an item of property, plant and equipment might be impaired by comparing the recoverable amounts with their carrying amounts. In determining the recoverable amounts of property, plant and equipment, OC PLC makes estimates and assumptions about future cash flows based on the value in use. In doing so OC PLC also makes assumptions and estimates regarding the discount rates to be used in order to calculate the net present value of the future cash flows.

Financial instruments (including trade receivables and contract assets)

The implementation of business model approach under IFRS 9 require judgement to ensure that financial assets of the Group are classified in to the appropriate category. Deciding whether the classified categories will require assessment of contractual provisions that do or may change the timing or amount of the contractual cash flows.

Impairment financial instruments (including trade receivables)

Objective evidence may exist in circumstances in which a counterparty has been placed in bankruptcy, or has failed on the repayments of principal and interest. In other circumstances OC PLC uses judgment in order to determine whether a financial asset may be impaired using new ECL model. OC PLC uses judgement in order to determine whether an impairment can be reversed, an assumption in doing so might be an improvement in the debtor's credit rating or receipt of payments due. In addition, Group also make judgments in deciding whether the measurement of expected credit loss reflect reasonable and supportable information that is available without undue cost or effort that include historical, current and forecast information.

Inventories

In determining the net realisable value of inventories, OC PLC estimates the selling prices in the ordinary course of business, cost of completion and cost to sell. In doing so, OC PLC makes estimates and assumptions based on current market prices, historical usage of various product categories versus current inventory levels and specific identified obsolescence risks (e.g. end of life of specific goods and spare parts and the impact of new environmental legislation).

Provisions

Recognition of provisions include significant estimates, assumptions and judgements. IFRS requires only those provisions to be recognized if there is an expected outflow of resources in the near future and if the cost of these outflows can be estimated reliably. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. These judgements are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future profit or loss. Upon resolution, the Group may incur charges in excess of the recorded provisions for such matters.

The group uses past experiences to estimate the likelihood and cost of future warranties with respect to services provided and goods sold.

OC PLC recognizes a provision for restructuring regarding cost-saving restructuring measures. Provisions for restructuring include, amongst other, estimates and assumptions about severance payments and termination fees.

Provisions for asset retirement obligations, represent estimated costs of decommissioning. Due to the long time frame over which future cash outflows are expected to occur including the respective interest accretion require assumptions. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect future laws and regulation with respect to asset retirements.

In case of contracts future loss the Group estimates the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. In doing so, the Group has to estimate the future cash flows and the discount rates used. In addition to this the Group has to estimate any possible impairments.

With respect to legal cases, the Group has to estimate the outcome of the legal cases. Regulatory and legal proceedings as well as government

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investigations often involve complex legal issues and are subject to substantial uncertainties. The Group periodically reviews the status of these proceedings with both the internal and external legal counsels.

Revenue recognition on revenue contracts with client

The Group conducts a significant portion of its business under construction contracts with customers. The Group recognizes revenue from construction contracts over time using the input method as Group believes this method faithfully represent the transfer of goods or services to the customer over the period of construction contract. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. In addition, in determining the transaction price, the Group make significant judgment as to whether any variable consideration to be included in the contract price. The significant estimates include total contract costs, remaining costs to completion, contract price, contract risks, including technical, political and regulatory risks, and other judgments. Management of the operating divisions continually review all estimates involved in such construction contracts, including commercial feasibility, and adjusts them as necessary.

Income taxes

OC PLC is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognizes provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. OC PLC recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available for the deferred tax asset to be recovered. This is based on estimates of taxable future income by jurisdiction in which OC PLC operates and the period over which deferred tax assets are expected to be recoverable. In the event that actual results or new estimates differ from previous estimates and depending on the possible tax strategies that may be implemented, changes to the recognition of deferred tax assets could be required, which could impact the financial position and profit or loss.

Asset held for sale and discontinued operations

OC PLC used judgment in determining what a disposal group or a discontinued operation is and when it qualifies for reclassification according to IFRS 5 (management commitment, ready for sale / demerger, highly probable, completion within one year). In determining what is a disposal group or a discontinued operation, OC PLC judges whether the cash flows of the disposal group or a discontinued operation can be distinguished from the rest of the group, what determines a major line of operation and whether a single coordinated plan to dispose exists and at what date it was formally approved.

6. Financial risk and capital management

Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

These risks arise from exposures that occur in the normal course of business and are managed on a consolidated company basis. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Senior management has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and

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reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

6.1 Exposure to credit risk

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The carrying amount of financial assets represents the maximum credit exposure. With respect to transactions with financial institutions, the group sets limits to the credit worthiness rating of the counterparty. The maximum credit risk is the carrying amount of financial instruments, for an overview reference is made to the tables financial instruments by category.

The major exposure to credit risk at the reporting date was as follows:

$ millions	Note	31 December 2018	31 December 2017
Trade and other receivables (excluding prepayments)	(9)	1,249.4	1,149.4
Contract work in progress	(13)	526.7	488.8
Cash and cash equivalents (excluding cash on hand)	(14)	401.8	433.0
Total		**2,177.9**	**2,071.2**

The major exposure to credit risk for trade and other receivables by geographic region was as follows:

$ millions	31 December 2018	31 December 2017
Middle East and Africa	880.3	768.5
Asia and Oceania	148.7	165.3
Europe and United States	220.4	215.6
Total	**1,249.4**	**1,149.4**

6.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This is also safeguarded by using multiple financial institutions in order the mitigate any concentration of liquidity risk.

The availability of cash is monitored internally at Group level, on an ongoing basis by the corporate treasury department. In addition management prepared at closing date a cash flow projection to assess the ability of the Group to meet its obligations.

The following are the contractual maturities of financial liabilities, including estimated interest payments and exclude the impact of netting arrangements.

At 31 December 2017 $ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(18)	260.7	273.5	143.2	117.8	12.5
Trade and other payables	(19)	1,121.4	1,121.4	1,076.5	-	44.9
Advanced payments from construction contracts		484.7	484.7	484.7	-	-
Total		**1,866.8**	**1,879.6**	**1,704.4**	**117.8**	**57.4**

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At 31 December 2018 $ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(18)	375.3	416.0	217.2	196.2	2.6
Trade and other payables	(19)	1,068.7	1,068.7	1,025.7	-	43.0
Advanced payments from construction contracts		606.0	606.0	606.0	-	-
Total		**2,050.0**	**2,090.7**	**1,848.9**	**196.2**	**45.6**

The interest on floating rate loans and borrowings is based on forward interest rates at year-end. This interest rate may change as the market interest rate changes.

6.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is exposed to foreign currency risk arising in separate ways:

Foreign exchange translation exposure

Due to the Group's international presence, OC PLC's Financial Statements are exposed to foreign exchange fluctuations as these affect the translation of the subsidiaries' assets and liabilities presented in foreign currencies to the US dollar (the Group's presentation currency). The currencies concerned are mainly Egyptian Pound, Algerian Dinar and Euro. Foreign exchange translation exposure is considered a part of doing business on an international level; this risk is not actively managed, nor is it hedged.

OC PLC is not exposed to Saudi Riyal, UAE Dirham and Qatar Riyal. These currencies are pegged to the US dollar.

Foreign exchange transaction exposure

The Group entities predominantly execute their activities in their respective functional currencies. Some Group subsidiaries are, however, exposed to foreign currency risks in connection with the scheduled payments in currencies that are not their functional currencies. In general this relates to foreign currency denominated supplier payables due to project procurement, capital expenditures and receivables. The Group monitors the exposure to foreign currency risk arising from operating activities.

The Group is exposed to foreign exchange transaction exposure to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily Euro, US Dollar, Egyptian Pound, Saudi Riyal, Algerian Dinar and UAE Dirham.

The Group uses foreign exchange contracts to manage its foreign exchange transaction exposure. No hedge accounting is applied; therefore all fair value changes are recognised in profit and loss.

The summary of quantitative data about the Group's exposure to foreign exchange transaction exposure provided to management of the Group based on its risk management policy for the main currencies was as follows:

At 31 December 2017 $ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	(1.3)	3.8
Trade and other receivables	45.2	185.5
Trade and other payables	(70.7)	(136.4)

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At 31 December 2018 $ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	65.4	21.2
Trade and other receivables	16.6	134.2
Trade and other payables	(30.5)	(81.7)

Significant rates

The following significant exchange rates applied during the year ended 31 December 2018:

	Average 2018	Closing 31 December 2018	Opening 1 January 2018
Egyptian pound	0.0562	0.0558	0.0567
Saudi riyal	0.2666	0.2666	0.2665
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Algerian Dinar	0.0086	0.0085	0.0087
Euro	1.1803	1.1427	1.2223

The following tables demonstrate the sensitivity to a reasonably possible change in EUR and EGP exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities, including inter company positions. The Group's exposure to foreign currency changes for all other currencies is not material.

As of 31 December 2018, if the functional currencies had strengthened/weakened by 10 percent against the Euro and 10 percent against the Egyptian Pound with all other variables held constant, the translation of foreign currency receivables, payables and loans and borrowings that would have resulted in an increase/decrease of USD 12.5 million of the profit of the year ended 31 December 2018.

31 December 2017 $ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	2.7	39.8
EGP - USD	10%	5.3	-

31 December 2018 $ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	5.1	39.5
EGP - USD	10%	7.4	-

* Determined based on the volatility of last year for the respective currencies.

** Effects are displayed in absolute amounts.

Interest rate risk

The Group's cash flow interest rate risks arise from the exposure to variability in future cash flows of floating rate financial instruments. The Group reviews its exposure in light of global interest rate environment after consulting with a consortium of global banks.

The Group calculates the impact on profit or loss of a defined interest rate shift. The same interest rate shift is used for all currencies. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

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$ millions	In basis points	31 December 2018	31 December 2017
Effect on profit before tax for the coming year	+100 bps	(4.1)	(1.3)
	- 100 bps	4.1	1.3

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly lower volatility than in prior years.

Categories of financial instruments

$ millions	Note	31 December 2018		31 December 2017	
		Financial assets at amortized cost	Derivatives at fair value	Financial assets at amortized cost	Derivatives at fair value
Assets					
Trade and other receivables	(9)	1,258.3	-	1,162.5	-
Cash and cash equivalents	(14)	402.5	-	434.2	-
Total		**1,660.8**	-	**1,596.7**	-
Liabilities					
Loans and borrowings	(18)	375.3	-	260.7	-
Trade and other payables	(19)	1,068.7	-	1,121.0	0.4
Advanced payments construction contracts		606.0	-	484.7	-
Total		**2,050.0**	-	**1,866.4**	**0.4**

All financial instruments are in the fair value hierarchy category level 2, there were no transfers between the fair value hierarchy categories.

6.4 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and non-controlling interest of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group's net debt to equity ratio at the reporting date was as follows:

$ millions	Note	31 December 2018	31 December 2017
Loans and borrowings	(18)	375.3	260.7
Less: cash and cash equivalents	(14)	402.5	434.2
Net debt		**(27.2)**	**(173.5)**
Total equity		471.5	402.5
Net debt to equity ratio		**(0.06)**	**(0.43)**

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7. Property plant and equipment

$ millions	Land	Buildings	Equipment	Fixtures, fittings and scaffolding	Under construction	Total
Cost	5.9	71.9	260.3	104.4	4.2	**446.7**
Accumulated depreciation	-	(26.0)	(193.4)	(71.9)	-	**(291.3)**
At 1 January 2018	**5.9**	**45.9**	**66.9**	**32.5**	**4.2**	**155.4**
Movements in the carrying amount:						
Additions purchased during the year	-	0.8	18.4	27.1	3.9	**50.2**
Disposals	-	(0.2)	(3.9)	(0.9)	(0.6)	**(5.6)**
Depreciation	-	(3.0)	(21.0)	(16.0)	-	**(40.0)**
Transfers	-	0.8	1.5	0.1	(2.4)	**-**
Effect of movement in exchange rates	(0.1)	(0.2)	(0.1)	(0.3)	-	**(0.7)**
At 31 December 2018	**(0.1)**	**(1.8)**	**(5.1)**	**10.0**	**0.9**	**3.9**
Cost	5.8	72.3	250.9	126.0	5.1	**460.1**
Accumulated depreciation	-	(28.2)	(189.1)	(83.5)	-	**(300.8)**
At 31 December 2018	**5.8**	**44.1**	**61.8**	**42.5**	**5.1**	**159.3**

The difference between the fair market value and the book value for the land and the buildings has been assessed in the third and fourth quarters of 2017. The fair market value valuations have been performed by an external valuator in 2017 using an open market value basis. The fair market value exceeds the book value of the land and the buildings for a total amount of USD 101.6 million. If OC PLC would change the accounting principles for the land and the buildings to fair value, equity will increase with USD 78.7 million and the deferred tax liability with USD 22.9 million.

The fair value disclosed above is categorized into Level 2 in the fair value hierarchy. The fair values had been determined mainly using the market comparison method which takes into consideration the comparable prices in the market.

8. Goodwill

$ millions	Goodwill
Cost	13.8
At 1 January 2018	**13.8**
Movements in the carrying amount:	
Additions	-
Impairment	-
At 31 December 2018	-
Cost	13.8
Impairment	-
At 31 December 2018	**13.8**

On 31 July 2012, the Group acquired the Weitz Company LLC, a United States general contractor based in Des Moines, Iowa, resulting in USD 12.4 million of goodwill. The transaction was completed on 12 December 2012. On 2 April 2015, the Group acquired Alico resulting in USD 1.4 million of goodwill.

Goodwill was tested for impairment in the 4th Quarter of 2018 or whenever an impairment trigger exists. No impairment was recorded in the year 2018. The impairment test is based on cash-flow projections of the five year plan. Key assumptions used in the projections are:

i. Revenue growth: based on expected growth in 2019 as a result of development in backlog and expected general market growth in the USA.
ii. Margin development: based on actual experience and management's longer-term projections.

The terminal value was calculated using a long-term average market growth rate of 2.5%. The estimated cash flows are discounted to their present value using a weighted average cost of capital of 9.73%. An increase or decrease of 100 basis points in the assumed WACC or the

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terminal growth rate would not have resulted in an impairment.

9. Trade and other receivables

$ millions	31 December 2018	31 December 2017
Trade receivables (gross)	646.0	608.1
Allowance for trade receivables	(11.9)	(27.1)
Trade receivables (net)	**634.1**	**581.0**
Trade receivables due from related parties (Note 28)	52.2	41.9
Prepayments	8.9	13.1
Other tax receivable	74.5	65.5
Supplier advanced payments	176.7	126.0
Other investments	6.3	6.0
Retentions	179.9	209.6
Other receivables	125.7	119.4
Total	**1,258.3**	**1,162.5**
Non-current	15.2	15.8
Current	1,243.1	1,146.7
Total	**1,258.3**	**1,162.5**

The carrying amount of 'Trade and other receivables' as at 31 December 2018 approximates its fair value.

Prepayments relate for the largest part to the amounts prepaid to sub-contractors, retentions related for the largest part to amounts withheld by customers resulting from contractual clauses.

The aging of gross trade receivables at the reporting date that were as follows:

$ millions	31 December 2018	31 December 2017
Neither past due nor impaired	409.8	377.7
Past due 1 - 30 days	29.5	54.8
Past due 31 - 90 days	21.6	47.6
Past due 91 - 360 days	110.1	86.2
More than 360 days	75.0	41.8
Total	**646.0**	**608.1**

Management believes that the unimpaired amounts that are past due by more than 30 days are collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The movement in the allowance for impairment in respect of trade receivables during the year ended 31 December 2018 was as follows:

$ millions	2018	2017
At 1 January	**(27.1)**	(32.8)
Unused amounts reversed	-	6.5
Used amounts	-	0.1
Amount formed	(0.5)	(1.2)
Other	15.7	0.3
At 31 December	**(11.9)**	**(27.1)**

10. Equity accounted investees

The following table shows the movement in the carrying amount of the Group's associates and joint ventures:

$ millions	2018	2017
At 1 January	421.8	371.4
Share in results	56.3	55.6
Dividends	(43.2)	(30.0)
Effect of movement in exchange rates	(15.4)	24.8
At 31 December	**419.5**	**421.8**

The entity disclosed under 'Equity accounted investees' that is significant to the Group is BESIX.

BESIX Group (BESIX)

Established in 1909 in Belgium, BESIX is a global multi-service group offering engineering, procurement and construction (EPC) services. BESIX operates in the construction, real estate and concession sectors in 15 countries focusing on Europe, Africa, the Middle East and Australia. Their core construction competencies include buildings, infrastructure and environmental projects, industrial civil engineering, maritime and port works and real estate development. In addition to EPC services, BESIX is active in real estate development and holds concessions in several Public Private Partnerships (PPP) and design, build, finance, and maintain/operate (DBFM) contracts, through which it develops, operates and maintains projects.

The below table summarizes the financial information of BESIX based on the percentage of interest the Group has in it:

BESIX Group 50% $ millions	2018	2017
Assets	1,529.6	1,434.0
Liabilities	(1,135.1)	(1,035.8)
Net assets at 31 December	**394.5**	**398.2**
Construction revenue	1,572.8	1,371.7
Construction cost	(1,518.1)	(1,317.3)
Net profit at 31 December	**54.7**	**54.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has interests in a number of equity accounted investees including the following:

Name	Parent	Country	Participation %
BESIX Group	OC IHC3 B.V.	Belgium	50.0
Medrail Ltd.	Orascom Construction Holding Cyprus	UAE	50.0
Egyptian Gypsum Company	UHC	Egypt	28.3
Sidra Medical Center (see note 26)	Contrack Cyprus	Qatar	45.0
Todd Sargent Weitz LLC	The Weitz Group	USA	50.0
Watts - Webcor Obayashi	Contrack Watts Inc	USA	34.0
National Pipe Company	OCI Construction Egypt OCI Egypt	Egypt	40.0
El Yamama	OCI Construction	KSA	50.0
Orasqualia, Orasqualia for Construction S.A.E. and Orasqualia for Maintenance	OCI Egypt	Egypt	50.0

The following table summarizes the financial information of the Orascom Construction Group's share on equity accounted investees including BESIX, El Yamama, National Pipe Company, all of Weitz's associates, Egyptian Gypsum Company and Sidra Medical Centre:

$ millions	2018	2017
Assets	1,585.1	1,488.2
Liabilities	(1,165.6)	(1,066.4)
Net assets at 31 December	**419.5**	**421.8**
Income	1,586.5	1,382.7
Expense	(1,530.2)	(1,327.1)
Net profit at 31 December	**56.3**	**55.6**

Transaction between Group entities and associates / joint ventures

There are no significant transactions between entities of the group and the associates / joint ventures, except for the investments in and the dividends received from these associates and joint ventures.

11. Income taxes

11.1 Income tax in the statement of profit or loss

The income tax on profit before income tax amounts to USD 63.6 million (31 December 2017: USD 122.4 million) and can be summarized as follows:

$ millions	31 December 2018	31 December 2017
Current tax	66.3	76.2
Deferred tax	(2.7)	46.2
Total income tax in profit or loss	**63.6**	**122.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11.2 Reconciliation of effective tax rate

OC PLC's operations are subject to income taxes in various foreign jurisdictions, the statutory income tax rates vary from 0.0% to 28.0%.

Reconciliation of the effective tax rate can be summarized as follows:

$ millions	31 December 2018	%	31 December 2017	%
Profit before income tax	**218.3**		207.5	
Tax calculated at weighted average group tax rate	(42.1)	19.3	(74.2)	35.8
Recognised (reduction) in deferred tax asset due to change in tax rate and realisation	2.7	(1.2)	(45.8)	22.1
Other	(24.2)	11.1	(2.4)	1.2
Total income tax in profit or loss	**(63.6)**	**29.2**	(122.4)	59.1

11.3 Deferred income tax assets and liabilities

The majority of the deferred tax assets of USD 35.9 million (31 December 2017: USD 34.5 million) relate to carried forward tax losses. The carried forward losses recognized in the statement of financial position is expected to be realized in the period 2019-2022.

12. Inventories

$ millions	31 December 2018	31 December 2017
Finished goods	11.1	4.9
Raw materials and consumables	238.7	186.7
Fuels and others	6.1	13.8
Real estate	27.4	26.8
Total	**283.3**	**232.2**

During the year ended 31 December 2018, the total write-downs amount to USD 9.8 million (31 December 2017: USD 10.8 million), which all related to raw materials.

The real estate relates to the land owned by Suez industrial Development Company in Egypt, which owns and develops an industrial park.

13. Contracts work in progress / billing in excess of construction contracts

$ millions	31 December 2018	31 December 2017
Costs incurred on incomplete contracts (including estimated earnings)	17,848.1	15,574.6
Less: billings to date (Net)	(17,732.2)	(15,615.5)
Total	**115.9**	**(40.9)**
Presented in the consolidated statements of financial position as follows:		
Construction contracts in progress - current assets	526.7	488.8
Billing in excess on construction contracts - current liabilities	(410.8)	(529.7)
Total	**115.9**	**(40.9)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Cash and cash equivalents

$ millions	31 December 2018	31 December 2017
Cash on hand	0.7	1.2
Bank balances	368.3	392.7
Restricted funds	6.5	19.4
Restricted cash	27.0	20.9
Total	**402.5**	**434.2**

Restricted funds

The restricted amounts mostly relate to letters of credits of Orascom E&C (USD 4.7 million) and National Steel Fabrication (USD 1.1 million) and letters of guarantee of UHC (USD 0.5 million), Alico (USD 0.1 million) and OCI Algeria (USD 0.1 million).

Restricted cash

Restricted cash relates to amounts withheld in relation to amounts restricted for use by Weitz for an amount of USD 1.2 million, and USD 25.8 million pledged as collateral against loans.

15. Share capital

The movements in the number of shares (nominal value USD 1 per share) can be summarized as follows:

	2018	2017
At 1 January	**116,761,379**	117,761,379
Shares reduction	-	(1,000,000)
At 31 December - fully paid	**116,761,379**	**116,761,379**
At 31 December (in millions of USD)	**116.8**	**116.8**

The shareholders of the Company at the Extraordinary General Meeting (EGM) held on 9 May 2018, approved the resolution passed by the Board of Directors for reducing the share premium of the Company with USD 281.3 million.

16. Reserves

$ millions	Currency translation	Treasury shares	Total
At 1 January 2017	(340.1)	(8.3)	(348.4)
Shares reduction	-	8.3	8.3
Currency translation differences	21.3	-	21.3
At 31 December 2017	**(318.8)**	-	**(318.8)**

$ millions	Currency translation	Treasury shares	Total
At 1 January 2018	(318.8)	-	(318.8)
Currency translation differences	(16.8)	-	(16.8)
At 31 December 2018	**(335.6)**	**-**	**(335.6)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Non-controlling interest

31 December 2017 $ million	United Holding Company	Orascom Saudi	Suez Industrial Development	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%		
Non-current assets	4.6	0.6	5.2	6.9	17.3
Current assets	26.1	114.4	21.6	2.8	164.9
Non-current liabilities	-	(3.9)	(13.0)	(0.1)	(17.0)
Current liabilities	(11.9)	(100.8)	(5.7)	(2.2)	(120.6)
Net assets	**18.8**	**10.3**	**8.1**	**7.4**	**44.6**
Revenue	33.1	12.8	4.2	4.4	54.5
Profit	7.0	(4.3)	0.3	3.6	6.6
Other comprehensive income	0.3	-	(0.3)	0.3	0.3
Total comprehensive income	**7.3**	**(4.3)**	**-**	**3.9**	**6.9**

31 December 2018 $ million	United Holding Company	Orascom Saudi	Suez Industrial Development	Other individual insignificant entities	Total
Non-controlling interest percentage	**43.5%**	**40.0%**	**39.5%**		
Non-current assets	5.5	0.2	4.4	4.8	14.9
Current assets	35.6	110.8	19.7	3.0	169.1
Non-current liabilities	-	(1.0)	(10.9)	(0.1)	(12.0)
Current liabilities	(21.6)	(102.6)	(5.8)	(2.4)	(132.4)
Net assets	**19.5**	**7.4**	**7.4**	**5.3**	**39.6**
Revenue	45.1	20.0	4.5	0.7	70.3
Profit	7.5	(2.9)	1.4	4.0	10.0
Other comprehensive loss	-	-	(0.1)	(0.1)	(0.2)
Total comprehensive income	**7.5**	**(2.9)**	**1.3**	**3.9**	**9.8**

18. Loans and borrowings

Borrowing Company	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 19.75 - 20.75%	Annual	-	-	151.6	151.6
Orascom Saudi	Saibor + 3.00%	Annual	7.0	28.0	-	35.0
Orascom Construction Industries- Algeria	Fixed 6.97%	04/2018	-	15.6	-	15.6
The Weitz Group, LLC	Multiple rates	Multiple	4.1	25.8	-	29.9
Contrack Watts Inc	LIBOR + 2.5%	Annual	-	-	25.0	25.0
Other	Multiple rates	-	0.2	-	3.4	3.6
Total as of 31 December 2017			**11.3**	**69.4**	**180.0**	**260.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Borrowing Company	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 17.25 - 20.75%	Annual	-	-	286.1	286.1
Orascom Saudi	Saibor + 3.00%	Annual	-	26.2	-	26.2
Orascom Construction Industries- Algeria	Fixed 6.97%	04/2019	-	15.2	-	15.2
The Weitz Group, LLC	Multiple rates	Multiple	2.3	12.3	-	14.6
Contrack Watts Inc	LIBOR + 2.5%	Annual	-	-	24.9	24.9
Other	Multiple rates	-	-	-	8.3	8.3
Total as of 31 December 2018			**2.3**	**53.7**	**319.3**	**375.3**

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is disclosed in the financial risk and capital management paragraph in Note 6. The fair value of loans and borrowings approximates the carrying amount.

Certain covenants apply to the aforementioned borrowings.

19. Trade and other payables

$ millions	31 December 2018	31 December 2017
Trade payables	438.9	494.9
Trade payables due to related party (Note 28)	4.4	5.0
Other payables	95.3	100.6
Accrued expenses	376.8	366.2
Deferred revenues	4.5	1.5
Other tax payables	34.5	5.8
Derivative financial instruments	-	0.4
Retentions payables	111.1	144.9
Employee benefit payables	3.2	2.1
Total	**1,068.7**	**1,121.4**
Non-current	43.0	44.9
Current	1,025.7	1,076.5
Total	**1,068.7**	**1,121.4**

Information about the Group's exposure to currency and liquidity risk is included in Note 6. The carrying amount of 'Trade and other payables' approximated the fair value.

Retentions payable relate to amounts withheld from sub-contractors.

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20. Provisions

$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2017	13.2	63.2	39.8	116.2
Provision formed	5.7	-	10.1	15.8
Provision used	-	(42.8)	(7.3)	(50.1)
Provision no longer required	(4.2)	(4.8)	(4.6)	(13.6)
Others	0.5	(0.6)	(6.7)	(6.8)
Effect of movement in exchange rates	0.5	0.5	(0.2)	0.8
At 31 December 2017	**15.7**	**15.5**	**31.1**	**62.3**

$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2018	**15.7**	**15.5**	**31.1**	**62.3**
Provision formed	-	2.4	47.5	49.9
Provision used	(0.1)	(2.3)	(3.7)	(6.1)
Provision no longer required	(0.1)	-	(2.5)	(2.6)
Others	-	-	0.6	0.6
Effect of movement in exchange rates	(0.6)	(0.1)	(0.1)	(0.8)
At 31 December 2018	**14.9**	**15.5**	**72.9**	**103.3**

Warranties

The warranties are based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Other (including claims)

The Group is involved in various litigations and project related disputes. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized. Reference is made to Note 26 for detailed information with respect to major ongoing litigations and claims.

21. Cost of sales and selling, general and administrative expenses

i. Expenses by nature

$ millions	31 December 2018	31 December 2017
Changes in raw materials and consumables, finished goods and work in progress	2,104.1	2,930.0
Employee benefit expenses (ii)	580.5	467.4
Depreciation and amortization	40.0	37.2
Maintenance and repairs	38.3	17.8
Consultancy expenses	9.8	2.7
Other	82.0	52.8
Total	**2,854.7**	**3,507.9**

The expenses by nature comprise ‘cost of sales’ and ‘selling, general and administrative expenses’.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ii.Employee benefit expenses

$ millions	31 December 2018	31 December 2017
Wages and salaries	488.6	422.4
Social securities	3.7	3.5
Employee profit sharing	5.5	2.3
Pension cost	6.1	5.0
Other employee expenses	76.6	34.2
Total	**580.5**	**467.4**

During the year ended 31 December 2018, the average number of staff employed in the Group converted into full-time equivalents amounted to 26,960 permanent and 60,199 temporary employees.

A Long-Term Incentive Plan ("LTIP") to attract, motivate and retain key employees in the organization by providing market competitive compensation packages has been put in place in June 2016. Under the plan target awards will be granted annually to executives and senior management and employees in critical positions or high performers. These awards will carry a 3-year vesting period. They will be focused on EBITDA, cash flow from operations and share performance. The plan is cash-settled; no transfer of equity instruments will take place under this plan.

22. Other income

$ millions	31 December 2018	31 December 2017
Net gain on sale of property, plant and equipment	1.6	0.9
Scrap and other	6.7	4.0
Total	**8.3**	**4.9**

23. Net finance cost

$ millions	31 December 2018	31 December 2017
Interest income on loans and receivables	16.2	17.4
Foreign exchange gain	6.8	18.9
Finance income	**23.0**	**36.3**
Interest expense on financial liabilities measured at amortized cost	(26.2)	(17.2)
Fair value loss on derivatives	-	(1.0)
Foreign exchange loss	(1.9)	(41.9)
Finance cost	**(28.1)**	**(60.1)**
Net finance cost recognized in profit or loss	**(5.1)**	**(23.8)**

The above finance income and finance cost include the following interest income and expense in respect of assets (liabilities) not measured at fair value through profit or loss:

$ millions	31 December 2018	31 December 2017
Total interest income on financial assets	16.2	17.4
Total interest expense on financial liabilities	(26.2)	(17.2)

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24. Earnings per share

i. Basic

	31 December 2018	31 December 2017
Net profit attributable to shareholders in 1 million USD	144.7	78.5
Number of ordinary share in million (Basic)	116.8	116.8
Basic earnings per ordinary share	**1.24**	**0.67**

25. Segment reporting

The Group determines and presents operating segments on the information that internally is provided to the Chief Executive Officer during the period. The Group has three reportable segments, as described below. Each of the segments is managed separately because they require different operating strategies and use their own assets and employees. Factors used to identify the Group's reportable segments, are a combination of factors and whether operating segments have been aggregated and types of products and services from which each reportable segment derives its revenues.

Business information for 31 December 2017

$ millions	MENA	USA	Besix	Total
Total revenue	**2,130.6**	**1,548.1**	-	**3,678.7**
Share in profit of associates	(0.1)	1.3	54.4	55.6
Depreciation and amortization	(34.8)	(2.4)	-	(37.2)
Interest income (including gain on derivatives)	17.3	0.1	-	17.4
Interest expense (including loss on derivatives)	(16.5)	(1.7)	-	(18.2)
Profit before tax	**234.0**	**(80.9)**	**54.4**	**207.5**
Investment in PP&E	38.4	3.4	-	41.8
Non-current assets	189.2	53.9	398.2	641.3
Total assets	**2,056.0**	**492.2**	**398.2**	**2,946.4**
Total liabilities	**1,927.3**	**616.6**	-	**2,543.9**

Business information for 31 December 2018

$ millions	MENA	USA	Besix	Total
Total revenue	**2,032.6**	**980.9**	**-**	**3,013.5**
Share in profit of associates	1.5	0.1	54.7	56.3
Depreciation and amortization	(38.1)	(1.9)	-	(40.0)
Interest income (including gain on derivatives)	15.8	0.4	-	16.2
Interest expense (including loss on derivatives)	(24.0)	(2.2)	-	(26.2)
Profit before tax	**199.6**	**(36.0)**	**54.7**	**218.3**
Investment in PP&E	**49.7**	**0.5**	**-**	**50.2**
Non-current assets	**196.6**	**52.6**	**394.5**	**643.7**
Total assets	**2,253.7**	**451.2**	**394.5**	**3,099.4**
Total liabilities	**2,213.2**	**414.7**	**-**	**2,627.9**

Segment revenues have been presented based on the location of the entity which is managing the contracts.

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BESIX is presented as part of 'equity accounted investees', therefore in the above schedule only the income from equity accounted investees and the asset value are reflected. For further information with respect to liabilities, revenues and cost, reference is made to note 10.

The geographic information above analysis the Group's revenue and non-current assets by the Company where the activities are being operated. The Orascom Construction Group has customers that represent 10 percent or more of revenues:

Percentage	2018	2017
Egyptian Government	51.5%	46.1%
US Federal Government	8.7%	21.0%
OCI N.V. Group	5.0%	12.9%

26. Contingencies

26.1 Contingent liabilities

26.1.1 Letters of guarantee / letters of credit

Letters of guarantee issued by banks in favor of others as at 31 December 2018 amount to USD 1,164.7 million (31 December 2017: USD 1,312.6 million). Outstanding letters of credit as at 31 December 2018 (uncovered portion) amount to USD 56.7 million (31 December 2017: USD 51.5 million).

Certain of our sub-holdings have put general performance guarantees for the execution of more significant projects by our subsidiaries.

As of 31 December 2018, mechanic liens have been received in respect certain US projects for a total of USD 58.7 million ("31 December 2017: USD 95.8 million").

26.1.2 Litigations and claims

In the ordinary course of business, the Group entities and joint ventures are involved in some arbitration or court cases as defendants or claimants. These litigations are carefully monitored by the entities' management and legal counsels, and are regularly assessed with due consideration for possible insurance coverage and recourse rights on third parties. OC PLC does not expect these proceedings to result in liabilities that have a material effect on the company's financial position. In cases where it is probable that the outcome of the proceedings will be unfavourable, and the financial outcome can be measured reliably, a provision has been recognized in the financial statements which is disclosed in note 20 'Provisions'. It should be understood that, in light of possible future developments, such as: (a) potential additional lawsuits, (b) possible future settlements, and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs. At this point in time, OC PLC cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the contingent liabilities materialize, they are typically paid over a number of years and the timing of such payments cannot be predicted with confidence. While the outcome of said the cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

26.1.3 Sidra Medical Center

The contract for the design and build of the Sidra Medical and Research Centre in Doha, Qatar, was awarded by the Qatar Foundation for Education, Science & Community Development (the "Foundation") in February 2008 to the associate owned by Obrascón Huarte Lain (55%) and Contrack (45%), for a total contract value of approximately USD 2.4 billion. The project was more than 95% complete and is not part of the Construction Group's backlog as the project is accounted for under the equity method.

In July 2014, the consortium received a Notice of Termination from the Foundation. On 23 July 2014, the Foundation commenced arbitration proceedings against the associate by serving a Request for Arbitration with the ICC (seat in London) dated 23 July 2014. Procedural hearings and expert meetings took place, with the substantive hearing being held 23 October 2017 to 17 November 2017. In February 2018, the Arbitral Tribunal issued a partial award in respect of certain variation claims and defects, and further agreed that questions of quantum as well as the remaining matters in dispute will be addressed in three long hearings, two that were held in April/May and October/November 2018, and upcoming hearings, including for procedural matters, scheduled to be held beginning January 2020 and beyond.

In August 2017, the Foundation again served a Request for Arbitration, this time in parallel proceedings against OCI SAE with the ICC (seat in London). The claims made by the Foundation in this new arbitration arise in connection with a Parent Company Guarantee (the "PCG")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

issued by OCI SAE on 7 February 2018. The Foundation alleged that the terms of the PCG protect it in respect of liabilities and obligations of Contrack (Cyprus) Limited on the Project. The Foundation has not yet specified the amount/s that it claims against OCI under the PCG. OCI filed its Answer to the Request for Arbitration on 9 November 2017 asserting lack of jurisdiction, premature and inadmissible claim, and that the PCG has expired. The Terms of Reference were signed on 22 January 2018, and the Tribunal issued its first Procedural Order on 12 March 2018. The Foundation filed its Statement of Case on 23 April 2018, and OCI filed its Statement of Defence on 15 August 2018. At this time, the Tribunal has not ordered the parties to take any further substantive steps.

26.1.4 Iowa Fertilizer Project

A subcontractor involved in the main mechanical and electrical erection of the Downstream Plant at the Iowa fertilizer project filed proceedings before the courts of Davenport, Iowa, against OEC regarding part of the scope of works. The claim was filed by MEI on 19 February 2017, seeking recovery of outstanding applications for payment (plus interest); retainage on paid invoices; a small tools and consumables conversion claim; and a diminution claim. OEC denied it had any obligation to pay MEI on the basis that MEI had performed defective work and/or had not completed it works, and filed a counterclaim.

A hearing was held beginning 24 September 2018, in the Southern District of Iowa court, and spanned over three weeks before a federal judge and jury. On 12 October 2018, the jury rendered a verbal verdict. The verbal verdict was in favour of MEI for an amount of USD 62.5 million plus interest. On 1 March 2019, the judge rendered the final judgement.

The verdict is subject to appeal procedures. A provision amounting to USD 40 million has been recorded at this stage. OEC is studying the outcome of the verdict and assessing grounds for appeal.

27. Operating lease commitments

The Group leases a number of office space, computers, machinery and cars under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

i. Future minimum lease payments

$ millions	31 December 2018	31 December 2017
Less than one year	4.9	0.3
Between one and five years	5.3	7.3
More than five years	4.5	6.5
Total	**14.7**	**14.1**

ii.Amount recognized in profit or loss

$ millions	31 December 2018	31 December 2017
Rent	18.4	15.3
Vehicles	0.5	12.1
Machinery and equipment	45.7	33.4
Total	**64.6**	**60.8**

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28. Related party transactions

The following is a list of significant related party transactions and outstanding amounts

Related party	Relation	Revenue transactions during the year	AR and loan outstanding at year end	Purchases transactions during the year	AP and advances outstanding at year end
Medrail	Equity accounted investee	-	5.2	-	-
Iowa fertilizer Company	Related via Key Management personnel	65.0	16.8	-	-
Natgasoline	Related via Key Management personnel	408.1	9.1	-	-
OCI N.V.	Related via Key Management personnel	-	1.1	-	2.6
OCI SAE “fertilizer”	Related via Key Management personnel	-	5.0	-	-
Other		-	4.7	-	2.4
Total as at 31 December 2017		**473.1**	**41.9**	**-**	**5.0**

Related party	Relation	Revenue transactions during the year	AR and loan outstanding at year end	Purchases transactions during the year	AP and advances outstanding at year end
Medrail	Equity accounted investee	-	5.2	-	-
Iowa fertilizer Company	Related via Key Management personnel	6.0	30.8	-	-
Natgasoline	Related via Key Management personnel	151.8	2.8	-	-
OCI N.V.	Related via Key Management personnel	-	1.1	-	2.4
OCI SAE “fertilizer”	Related via Key Management personnel	-	5.1	-	-
Other		-	7.2	-	2.0
Total as at 31 December 2018		**157.8**	**52.2**	**-**	**4.4**

In addition to the related party transactions in the table above, the company incurs certain operating expenses for immaterial amounts in relation to services provided by related parties.

28.1 Demerger of Construction and Engineering business

28.1.1 General

The demerger from OCI N.V. was completed successfully in March 2015, with the listing of shares on Nasdaq Dubai as of 9 March 2015 and a secondary listing on the Egyptian Exchange as of 11 March 2015.

After the demerger, OCI N.V. and OC PLC each operate as separately listed companies. There are no cross-directorships, other than Jérôme Guiraud who is a non-executive director in both. The senior management teams of OCI N.V. and OC PLC are different and all agreements between the two companies are executed based on agreed terms.

Services between OCI N.V. and OC PLC Group entities in the areas of accounting, treasury, information technology, etc, are payable on a cost-plus basis.

OC PLC and OCI N.V. are party to continuing commercial arrangements. The existing commercial arrangements were entered into on agreed terms and are not materially different from the terms on which OC PLC has contracted with other customers. The most relevent are listed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28.1.2 Conditional sale agreement

On 5 February 2015, OC IHC 4 B.V. (a subsidiary of OC PLC) and OCI MENA B.V. (a subsidiary of OCI N.V.) entered into an Agreement for the Conditional Sale and Purchase of the Share Capital of Construction Egypt. Under the Conditional Sale Agreement, OCI MENA B.V. has agreed to sell to OC IHC 4 B.V. all of the shares it will receive as a result of the Egypt Demerger. These shares (the Construction Egypt Shares) will be shares in an Egyptian joint stock company (Construction Egypt) which, as a result of the Egypt Demerger, will hold the construction projects and construction business of Orascom Construction Industries S.A.E in the Middle East and North Africa which, in order to comply with local law and regulation, cannot be transferred to OC PLC prior to completion of the Demerger. The transfer of the Construction Egypt Shares will be conditional on the completion of the Egypt Demerger, the approval of Egyptian Financial Supervisory Authority ("EFSA") regarding the issue of the Construction Egypt shares to OCI MENA B.V. and incorporation of Construction Egypt. In addition, OCI MENA B.V. commits to appoint management personnel in the construction operations, such personnel to be nominated by OC IHC 4 B.V.; to appoint accounting personnel responsible for the preparation of the carve out financials of the construction operations, such personnel to be nominated by OC IHC 4 B.V., and to vote on the board of directors of Orascom Construction Industries S.A.E. in matters related to the construction operations based on the recommendation of OC IHC 4 B.V. The Conditional Sale Agreement also provides for the economic benefits/liabilities of the Construction Egypt Shares including the underlying Relevant Construction Projects (together with the right to any dividends) to pass from OCI MENA B.V. to OC IHC 4 B.V. with effect from the date of the Conditional Sale Agreement as if such shares had been in existence since 30 September 2014. This transfer of economic benefit will remain in force until the earlier of completion of the Egypt Demerger and transfer of the Construction Egypt Shares to the Company and completion of all of the Relevant Construction Projects, while any new awards are sought through wholly-owned subsidiaries of OC PLC.

28.1.3 Tax indemnity agreement

On 6 February 2015, OC PLC and Orascom Construction Industries S.A.E. (a subsidiary of OCI N.V.) entered into a tax indemnity agreement which sets out the obligations of the parties in respect of the tax claim lodged by the tax authorities in Egypt relating to the sale of the Orascom Construction Industries S.A.E.'s cement business to Lafarge SA in 2007. The parties have agreed that, to the extent that any liability is incurred by Orascom Construction Industries S.A.E. in relation to the Tax Claim (including the costs of dealing with the Tax Claim), this will be shared between the parties on a 50%/50% basis. In addition, to the extent that any recoveries, including interests, are made in relation to the Tax Claim, these will be shared between the parties on a 50%/50% basis (excluding the amount of EGP 2.5 billion for which it was announced that the rights will be transferred to Tahya Misr social fund in Egypt).

28.2 OCI Foundation and Sawiris Foundation

The OCI Foundation invests company resources in educational programs that improve the communities in which the company operates. OCI has cultivated strong ties with several leading universities, including the University of Chicago (Onsi Sawiris Scholars Exchange Program), Stanford (The American Middle Eastern Network Dialogue) and Yale (Master of Advanced Management program and Global Network for Advanced Management program).

Furthermore, the Sawiris Foundation for Social Development also provides grants to fund projects implemented by charitable organizations, educational institutions, local government and private business.

29. Remuneration of the Board of Directors (Key management personnel)

During the year ended 31 December 2018, we considered the members of the Board of Directors (Executive and Non-executive) and the senior management to be the key management personnel as defined in IAS 24 'Related parties'. The total remuneration of the key-management personnel amounts for the year ended 31 December 2018 to an amount of around USD 10.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. List of principal subsidiaries, associates and joint ventures

Companies	Country	Percentage of interest	Consolidation method
Cementech Limited	BVI	100.00	Full
Orascom Construction Industries Algeria Spa	Algeria	99.90	Full
IMAGRO Construction SRL	Italy	49.90	Full
BESIX Group SA	Belgium	50.00	Equity
Aluminium & Light Industries Co Ltd	Egypt	100.00	Full
OCI Construction Limited	Cyprus	100.00	Full
Orascom Construction	Egypt	100.00	Full
Orascom Road Construction	Egypt	99.98	Full
Orasqualia for the Development of the Wastewater Treatment Plant	Egypt	50.00	Equity
National Steel Fabrication	Egypt	99.90	Full
Suez Industrial Development Company	Egypt	60.50	Full
Orascom Saudi Company	Kingdom of Saudi Arabia	60.00	Full
Contrack Watts Inc	USA	100.00	Full
Orascom E&C USA	USA	100.00	Full
Orascom Construction USA Inc	USA	100.00	Full
Orascom Investments	Netherlands	100.00	Full
The Weitz Group LLC	USA	100.00	Full
Orascom for Solar Energy	Egypt	60.00	Full
Orascom for Wind Energy	Egypt	100.00	Full

Subsequent to the year-end the Board of Directors has proposed a dividend of USD 0.30 per share, which is to be approved by the shareholders at the Annual General Meeting on May 2019.

Furthermore, OC PLC has various holding companies in the Netherlands and the countries it operates in.

Dubai, UAE, 26 March 2019

The Orascom Construction PLC Board of Directors,

Jérôme Guiraud	Chairman
Osama Bishai	Chief Executive Officer
Mustafa Abdel-Wadood	Member
Johan Beerlandt	Member
Khaled Bichara	Member
Sami Haddad	Member

ORASCOM CONSTRUCTION LIMITED
(the **Company**)

Summary of the Board Resolutions

A meeting of the board of directors of the Company was held on 26 March 2019. After due and careful consideration, **IT WAS RESOLVED** that:

(a) that the financial statements of the Company for the period ended 31 December 2018 be approved.

(b) that the directors propose a dividend distribution of USD 0.30 per share subject to shareholder approval at the upcoming Annual General Meeting in May 2019.

Orascom Construction PLC
(“the Company”)

Separate financial statements
31 December 2018

Orascom Construction PLC ("the Company")

Separate financial statements
31 December 2018

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KPMG LLP
Unit No. 819, Liberty House,
DIFC, Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

Independent Auditors' Report

To the Shareholders of Orascom Construction PLC (formerly Orascom Construction Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Orascom Construction PLC ("the Company"), which comprise the separate statement of financial position as at 31 December 2018, the separate statements of profit or loss and other comprehensive income, changes in cash flows and equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2018, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Financial Statements* section of our report. We are independent of the Company in accordance with 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 financial statements in the Dubai International Financial Centre ("DIFC") 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 judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

1 Impairment of investment in subsidiaries

Refer to note 10 of the separate financial statements

Key audit matter

Impairment of investment in subsidiaries is an area that involves significant management judgment and requires an assessment as to whether the carrying value of the subsidiaries can be supported by their value in use based on their current and expected future operations.

To assess whether an impairment exists in the carrying value of the Company's subsidiaries, management is required to assess whether events or changes in circumstances indicate that their carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include evidence that no sufficient profits or cash flows will be generated from the related investment. The assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions.

Due to the significance of the carrying value of the investment in subsidiaries in the Company's financial statements and the inherent and uncertainties associated with estimating future cash flows, the appropriate discount rates and growth rates, the impairment of investment in subsidiaries is significant audit risk.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We reviewed management's impairment analysis, including the assumptions and estimates used in developing the model. To test the accuracy of the model, we re-performed the calculations prepared by management;
- We assessed the historical accuracy of the management's forecasting and challenged the significant assumptions and critical areas of judgment;
- We performed sensitivity analysis on significant assumptions used in the model, including the discount rates and terminal growth rates; and
- We assessed the adequacy of the disclosure in the separate financial statements.

2 Expected credit loss allowances on amount due from related parties

Refer to note 12 of the separate financial statements

The Company is exposed to credit risk on its receivable balances due from related parties.

Key Audit Matters (continued)

2 Expected credit loss allowances on amount due from related parties (continued)

IFRS 9 – Financial Instruments was adopted by the Company on 1 January 2018 and has resulted in change in accounting for impairment from an incurred loss model to forward looking expected credit loss ("ECL") model. The determination of expected credit loss involves significant estimates and judgement.

Key areas involving judgements include current and future looking external factors, probability of default and loss given default. Due to judgement and complexities involved in the computation of ECL for determining impairment provision, there is a risk that the amount of ECL may be materially misstated.

Given the inherently judgemental nature of determining ECL, it is considered as a key audit matter.

How our audit addressed the key audit matter

- We obtained an understanding of the Company's process for estimating ECL and assessing the appropriateness of the ECL preparation methodology and new accounting policy against the requirement of IFRS 9;
- We assessed the reasonableness of key assumptions and judgments made by the management in determining the ECL allowances; and
- We tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on Other Legal and Regulatory Requirements

We further report that the separate financial statements comply, in all material respects, with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018.

KPMG

KPMG LLP
Dubai, United Arab Emirates

KPMG LLP
P.O. Box 3800
Dubai, UAE
Tel: 04 - 4030300

Freddie Cloete
Partner

Date: 26 March 2019

Orascom Construction PLC

Separate statement of profit or loss and other comprehensive income
for the year ended 31 December 2018

	Note	**2018 USD**	2017 USD
Support service charges	*12*	**-**	10,862,687
Dividend income received from a subsidiary	*10*	**50,000**	-
General and administrative expenses	*6*	**(13,107,611)**	(16,147,096)
Gain on waiver of a related party loan	*12*	**205,884,848**	**-**
Finance income	*7*	**14,149,187**	21,537,845
Finance expense	*8*	**(1,324,665)**	(2,288,941)
Impairment loss on loans due from related parties	*12*	**(100,117,752)**	-
Impairment loss on investment in a subsidiary	*10*	**(142,530,106)**	-
Write off of a related party balance	*12*	**-**	(23,478,341)
Other income		**656,200**	**-**
Loss for the year		**(36,339,899)**	(9,513,846)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(36,339,899)**	(9,513,846)

The notes on pages 10 to 33 form an integral part of these separate financial statements.

The independent auditors’ report is set out on pages 1 to 5.

Orascom Construction PLC

Separate statement of financial position

As at 31 December 2018

	Note	2018 USD	2017 USD
Non-current assets			
Property and equipment	*9*	**-**	268,277
Investment in subsidiaries	*10*	**787,817,170**	930,347,276
Loans due from related parties	*12*	**94,851,548**	185,299,030
		882,668,718	1,115,914,583
Current assets			
Prepayments and other receivables	*11*	**213,630**	261,795
Due from related parties	*12*	**537,328**	334,868
Cash at banks		**1,259,818**	2,034,292
		2,010,776	2,630,955
Total assets		**884,679,494**	1,118,545,538
Liabilities and shareholder's equity			
Shareholder's equity			
Share capital	*14*	**116,761,379**	116,761,379
Share premium		**483,025,196**	764,325,196
Retained earnings / (Accumulated losses)		**204,303,639**	(10,656,462)
		804,090,214	870,430,113
Non-current liabilities			
Loans due to related parties	*12*	**70,715,784**	241,352,758
Current liabilities			
Accounts payable and accrued expenses	*13*	**3,416,688**	1,906,714
Due to related parties	*12*	**6,456,808**	4,855,953
		9,873,496	6,762,667
Total liabilities		**80,589,280**	248,115,425
Total liabilities and shareholder's equity		**884,679,494**	1,118,545,538

The notes on pages 10 to 33 form an integral part of these separate financial statements.

These separate financial statements were approved by the Board of Directors and authorised for issue on 26 March 2019 and signed on their behalf by:

Director

Director

The independent auditors' report is set out on pages 1 to 5.

Orascom Construction PLC

Separate statement of cash flows
for the year ended 31 December 2018

	Note	2018 USD	2017 USD
Operating activities			
Loss for the year		**(36,339,899)**	(9,513,846)
Adjustments for:			
Impairment loss on investment in a subsidiary	*10*	**142,530,106**	-
Impairment loss on loans due from related parties	*12*	**100,117,752**	-
Finance expenses	*8*	**1,324,665**	2,288,941
Depreciation	*9*	**268,277**	459,912
Finance income	*7*	**(14,144,040)**	(21,537,845)
Gain on reversal of related party balance	*12*	**(205,884,848)**	-
		(12,127,987)	(28,302,838)
Change in prepayments and other receivables	*11*	**48,165**	(58,501)
Change in due from related parties	*12*	**(202,460)**	13,259,193
Change in accounts payable and accrued expenses	*13*	**1,509,974**	838,164
Change in due to related parties	*12*	**1,600,855**	1,624,125
Net cash used in operating activities		**(9,171,453)**	(12,639,857)
Investing activities			
Net movement in loan due from related parties		**4,473,770**	(4,971,291)
Investment in a subsidiary		**-**	(50,000)
Net cash generated from / (used in) investing activities		**4,473,770**	(5,021,291)
Financing activities			
Net movement in loan due to related parties		**33,923,207**	14,103,567
Dividends paid		**(30,000,000)**	-
Finance expenses paid		**-**	19,020
Net cash generated from financing activities		**3,923,207**	14,122,587
Net decrease in cash and cash equivalents		**(774,474)**	(3,538,561)
Cash and cash equivalents at the beginning of the year		**2,034,292**	5,572,853
Cash and cash equivalents at the end of the year		**1,259,818**	2,034,292

The notes on pages 9 to 33 form an integral part of these separate financial statements.

The independent auditors' report is set out on pages 1 to 5.

Orascom Construction PLC

Separate statement of changes in equity
for the year ended 31 December 2018

	Share capital USD	Share premium USD	(Accumulated losses) / Retained earnings USD	Treasury shares USD	Total USD
Balance at 1 January 2017	117,761,379	771,639,257	(1,142,616)	(8,314,061)	879,943,959
Total comprehensive loss for the year					
Loss for the year	-	-	(9,513,846)	-	(9,513,846)
Other equity movement					
Share reduction (refer note 14 (i))	(1,000,000)	(7,314,061)	-	8,314,061	-
Balance at 31 December 2017	116,761,379	764,325,196	(10,656,462)	-	870,430,113
At 1 January 2018	116,761,379	764,325,196	(10,656,462)	-	870,430,113
Total comprehensive income for the year					
Loss for the year	-	-	(36,339,899)	-	(36,339,899)
Transactions with owners, recognised directly in equity					
Dividends declared and paid (refer note 15)	-	-	(30,000,000)	-	(30,000,000)
Other equity movement					
Reduction of share premium (refer note 16)	-	(281,300,000)	281,300,000	-	-
Balance at 31 December 2018	**116,761,379**	**483,025,196**	**204,303,639**	**-**	**804,090,214**

The notes on pages 10 to 33 form an integral part of these separate financial statements.

Notes

(forming part of the separate financial statements)

1 Legal status and principal activities

Orascom Construction PLC ("the Company") is a Public Company, incorporated and registered in the Dubai International Financial Centre. The Company is dual listed on NASDAQ Dubai and the Egyptian Exchange. The registered address of the Company is P.O. Box 507031, Dubai International Financial Centre, Dubai, United Arab Emirates.

The Company was incorporated on 18 January 2015 as Orascom Construction Limited, a Company limited by shares and subsequently converted to a Public Company under the DIFC Law No. 5 of 2018.

The principal activity of the Company is holding investments.

The Company has 100 percent interest in Orascom Holding Cooperatief U.A. which is the parent company of other subsidiaries operating in the construction sector.

In 2017, the Company acquired in 100 percent interest in Orascom Holding Limited.

2 Basis of preparation

Statement of compliance

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018.

The financial year of the Company commences on 1 January and ends on 31 December.

Separate financial statements of the Company

The Company acts as a holding company for its subsidiaries. The Company and its subsidiaries are collectively referred to as "the Group". These separate financial statements present the financial performance and position of the Company only and do not include the operating results and financial position of its subsidiaries. In these financial statements, the investments in subsidiaries are stated at cost less provision for impairment losses (refer accounting policy on impairment) in accordance with International Accounting Standard 27 *Consolidated and Separate Financial Statements*. In order to have a more comprehensive understanding of the results of operations, financial position, changes in equity and cash flows, the consolidated financial statements of the Group for the year ended 31 December 2018 issued separately on 26 March 2019 should be referred to.

Basis of measurement

These separate financial statements have been prepared under the historical cost basis.

Functional and presentation currency

These financial statements are presented in US Dollars ("USD"), which is the Company's functional currency.

Use of estimates and judgments

The preparation of these separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

2 Basis of preparation (continued)

Use of estimates and judgments (continued)

These estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgement about the carrying value of assets and liabilities that are not readily apparent from the other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of assumptions, estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed in note 21.

3 Change in accounting policies

The Company has applied IFRS 9 *Financial Instruments* from 1 January 2018. There is no material effect of applying this standard on the Company's separate financial statements as at 1 January 2018.

IFRS 9 *Financial instruments*

Policy applicable before 1 January 2018

Classification and subsequent measurement financial assets

The Company classified its financial assets into one of the following categories:

- Loans and receivables;
- Held to maturity;
- Available for sale; and
- At fair value through profit or loss

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

Measured at amortised cost using the effective interest method.

3 Change in accounting policies (continued)

IFRS 9 *Financial instruments (continued)*

Policy applicable before 1 January 2018 (continued)

Financial assets – Subsequent measurement and gains and losses: (continued)

Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Policy applicable from 1 January 2018

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Change in accounting policies (continued)

IFRS 9 ***Financial instruments (continued)***

ii. Classification and subsequent measurement (continued)

Financial assets – Policy applicable from 1 January 2018 (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3 Change in accounting policies (continued)

IFRS 9 ***Financial instruments (continued)***

ii. Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018 (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement – financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see accounting policy on impairment). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Debt investment at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investment at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3 Change in accounting policies (continued)

IFRS 9 ***Financial instruments (continued)***

ii. Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4 Significant accounting policies

The accounting policies set out below, which comply with IFRS, have been applied consistently to all periods presented in these financial statements in dealing with items which are considered material in relation to these separate financial statements.

Investment in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investment in subsidiaries is stated at cost less any provision for impairment.

Share premium and treasury shares

Share premium is the excess amount received over the par value of the shares. Incremental costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of tax, from the proceeds. When ordinary shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is classified as treasury shares on the statement of changes in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in 'Treasury shares', and the resulting surplus or deficit on the transaction is presented in share premium.

Finance income

Finance income include interest charged on loans due from related parties and net foreign exchange gain. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expense

Finance expense include interest incurred on loans due to related parties, net foreign exchange losses and bank charges. Interest expense is recognized as it accrues, using the effective interest rate method.

Impairment of assets

Non-derivative financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

4 Significant accounting policies (continued)

Impairment of assets (continued)

Non-derivative financial assets (continued)

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the trade receivable is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

4 Significant accounting policies (continued)

Impairment of assets (continued)

Derivative financial assets

Derivative financial assets are measured at fair value and the Company investigates whether the counterparty creditworthiness gives rise to an impairment.

Non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortization but are tested annually for impairment or more frequently when indicators arise. Assets with a finite useful life are subject to depreciation or amortization and are reviewed (at least at the balance sheet date) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped based on the lowest level for which there are separately identifiable cash flows (cash-generating units). Impairment is recognized as an expense in profit or loss. Non-financial assets, which are impaired, are tested periodically to determine whether the recoverable amount has increased and the impairment has to be (partially) reversed. Impairment losses on goodwill are not reversed. Reversal of impairments is only permitted if in a subsequent period after an impairment loss has been recognized, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment loss was recognized.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from the acquisition date (original maturity) that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

Transactions in foreign currencies are translated into functional currency of the Company at the exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

4 Significant accounting policies (continued)

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes cost of material, direct labour, other directly attributable costs incurred to bring the asset ready for its intended use, cost of asset retirement obligations and any capitalized borrowing costs.

When parts of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Subsequent expenditures are capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance costs are expensed as incurred.

Depreciation

Items of property and equipment are depreciated on a straight line basis through profit or loss over the estimated useful lives of each item, taking into account any residual values. Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

	Life (months)
Furniture, fixtures and office equipment	28

Operating leases

Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made by the Company under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a ‘straight-line’ basis over the period of the lease.

New standards and interpretations not yet effective

IFRS 16 Leases

IASB has introduced a new leases standard, IFRS 16, which supersedes IAS 17 leases. The Company is required to apply IFRS 16 with effect from 1 January 2019. The Company can choose to apply IFRS 16 before that date but only if it applies IFRS 15 Revenue from Contracts with Customers. A lessee can choose to apply the standard retrospectively to all accounting periods or as a ‘big bang’ at the date of initial application. The Company is not required to reassess whether existing contracts contain a lease but can choose to apply IFRS 16 to leases identified applying IAS 17, and not apply IFRS 16 to other contracts. The new standard requires the lessee to recognise the operating lease commitment on balance sheet. IFRS 16 does not require a lessee to recognise assets and liabilities for short-term leases (12 months or less), for leases ending within 12 months of the date of first applying the new standard and, for leases of low-value assets such as personal computers. Management expects the impact to be limited from an income prospective. Impact in the balance sheet will not result in a fundamental change in total assets and liabilities. The actual impact of adopting the standard on 1 January 2019 may change because of the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

4 Significant accounting policies (continued)

Other new or amended standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's separate financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

Application of these standards and amendments would not have a significant impact on the Company's separate financial statements as at 31 December 2018.

5 Financial risk management and capital management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations which arise principally from the Company's amounts due from related parties, loans due from related parties and cash at banks. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each of its related parties. The Company's cash is placed with banks of repute.

The Company establishes an allowance for impairment that represents its estimate of expected losses with respect to amounts due from related parties and loans due from related parties.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to accounts payable and accrued expenses, loans due to related parties and amounts due to related parties. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

5 Financial risk management and capital management (continued)

Market rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates. The principal currencies in which these transactions are primarily denominated in Egyptian pound and Euro.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the net finance income/ cost of the Company. The Company has exposure to interest rate risk on loans due from and loans due to related parties on which interests are charged at agreed upon rates.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of change in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company has no significant exposure to price risk.

Capital management

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of change in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

Fair value

The fair value of the financial assets and liabilities of the Company approximate their carrying values as at the reporting date.

6 General and administrative expenses

	2018	2017
	USD	USD
Salaries and wages	**9,275,430**	12,168,333
Consultancy fees	**2,032,624**	1,693,742
Depreciation on property and equipment (refer note 9)	**268,277**	459,912
Rent (refer note 17)	**232,308**	232,374
Insurance	**214,851**	213,544
Travel	**180,354**	414,969
Advertising	**28,866**	50,489
Communication	**28,460**	63,490
Others	**846,441**	850,243
	13,107,611	16,147,096

7 Finance income

	2018 USD	2017 USD
Interest on loans due from related parties (refer note 12)	**13,382,220**	21,537,845
Foreign exchange gain - net	**761,820**	-
Interest on bank balances	**5,147**	-
	14,149,187	21,537,845

8 Finance expenses

	2018 USD	2017 USD
Interest on loans due to related parties (refer note 12)	**1,324,665**	1,776,548
Foreign exchange loss - net	**-**	493,373
Bank charges	**-**	19,020
	1,324,665	2,288,941

9 Property and equipment

	Furniture and fixtures USD
Cost	
At 1 January 2017	1,072,247
At 31 December 2017	1,072,247
At 1 January 2018	1,072,247
At 31 December 2018	1,072,247
Accumulated depreciation	
At 1 January 2017	344,058
Depreciation	459,912
At 31 December 2017	803,970
At 1 January 2018	803,970
Depreciation	268,277
At 31 December 2018	1,072,247
Net book value	
At 31 December 2018	**-**
At 31 December 2017	268,277

10 Investment in subsidiaries

	2018 USD	2017 USD
Orascom Holding Cooperatief U.A. (refer to note (i) below)	**930,297,276**	930,297,276
Orascom Holding Limited (refer to note (ii) below)	**50,000**	50,000
	---------------	---------------
	930,347,276	930,347,276
Less: Provision for impairment	**(142,530,106)**	-
	---------------	---------------
	787,817,170	930,347,276
	=========	=========

(i) Orascom Holding Cooperatief U.A. ("OHC") acts as an investment holding company for the construction entities operating within Orascom Construction PLC Group. The Company holds 100% interest in OHC. The acquisition of OHC was made through the issuance of share capital of the Company amounting to USD 722 million to OCI N.V. on 9 March 2015. OHC was incorporated on 4 September 2014 under the Dutch law and primarily operates as an investment holding Company.

On 15 December 2017, the Company made an additional investment of USD 208 million in OHC. The contribution for the increase in investment was made through an assignment of a related party receivable of the Company to OHC. Also refer note 1.

At the reporting date, management assessed the recoverable amount of its investment in OHC. Accordingly, the impairment assessment was performed considering OHC and its downstream subsidiaries as a single Cash Generating Unit ("CGU").

The recoverable amount of the investment in subsidiary was estimated based on its value in use, by aggregating the present value of net cash flows of each segment within the OHC Group. In arriving at the estimated cash flows, the following post-tax discount and terminal growth rates were used.

Segment	**Post – tax discount rate**	**Terminal growth rates**
Middle and North Africa Region (MENA Region)	18.5%	2.5%
United States of America Region (USA Region)	8.3%	1.9%
BESIX	9.1%	0%

Based on the assessment, the management recognized an impairment of USD 142,530,106 as of 31 December 2018.

During the year, the Board of Directors of OHC declared and paid dividends of USD 50,000 to the Company *(2017: nil)* (refer note 12).

(ii) On 13 December 2017, the Company invested an amount of USD 50,000 in Orascom Holding Limited ("OHL"). OHL was incorporated in 2016 under the DIFC Law No. 2 of 2009, and operates as an investment holding Company. OHL is a 100 percent owned subsidiary of Orascom Construction PLC.

11 Prepayments and other receivables

	2018	2017
	USD	USD
Prepayments	**154,287**	203,700
Deposits	**59,343**	58,095
	----------	----------
	213,630	261,795
	======	======

12 Related party transactions

The Company, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard No. 24. These transactions are carried out at mutually agreed rates. The significant transactions with related parties during the year are as follows:

	2018	2017
	USD	USD
Gain on waiver of related party loan (see note (ii) below)	**205,884,848**	-
Interest income on loans due from related parties (refer note 7)	**13,382,220**	21,537,845
Expenses incurred by related parties on behalf of the Company	**3,819,981**	5,543,069
Interest expense on loans due to related parties (refer note 8)	**1,324,665**	1,776,548
Dividend income from a subsidiary (refer note 10 (i))	**50,000**	-
Write-off of related party balances (see note (iii) below)	**-**	23,478,341
Support service charges to related parties (see note (i) below)	**-**	10,862,687
	========	========

(i) Support service charges represented corporate charges made by the Company to its related parties for accounting, information technology and other support services provided to them based on a service agreement. No support service charges have been recognized during the year ended 31 December 2018 pursuant to termination of the service agreement with effect from 30 September 2017.

(ii) In the current year, based on an intercompany loan settlement agreement between the Company and Cementech Limited, a related party of the Company, an existing loan amounting to USD 207.5 million, including accrued interest amounting to USD 1.6 million were waived off. Accordingly an amount of USD 205.9 million was recognized as gain on waiver of related party loan and the accrued interest of USD 1.6 million within the finance costs was reversed.

12 Related party transactions (continued)

(iii) On 30 September 2017, the Company entered into an agreement ("the Agreement") with certain related parties ("the agreed parties") to mutually and consensually terminate the service agreement entered between the Company and the agreed parties on 1 January 2015. As per the terms of the agreement, any payment outstanding from the related parties of the Company as of 30 September 2017 with respect to any service charges made prior to 30 September 2017 were waived off. As a result of the Agreement, an amount of USD 23,478,341 was written off during year 2017.

Key management remuneration

The Company considers the members of the Board of Directors (Executive and Non-executive), and the senior management to be the key management personnel of the Company.

The remuneration of the key management for the year is as follows:

	2018 USD	2017 USD
Salaries and benefits	**600,000**	600,000
	======	======

12 Related party transactions (continued)

	Relationship	Interest terms	Repayment terms	**31 December 2018** Current portion USD	Non-current portion USD	Total USD	31 December 2017 Current portion USD	Non-current portion USD	Total USD
Loans due from related parties									
OCI Construction Holding Cyprus	Subsidiary	refer note (a)	receivable on 31 December 2025	**-**	**83,604,110**	**83,604,110**	-	67,077,547	67,077,547
OCI Construction International	Subsidiary	refer note (b)	receivable on 31 December 2020	**-**	**69,328,805**	**69,328,805**	-	65,750,818	65,750,818
Orascom Construction SAE	Subsidiary	refer note (c)	receivable on 31 December 2020	**-**	**25,522,743**	**25,522,743**	-	34,717,840	34,717,840
OCI Saudi Arabia	Subsidiary	refer note (d)	receivable on 31 December 2020	**-**	**16,513,642**	**16,513,642**	-	15,952,753	15,952,753
Orascom Abu Dhabi Contrack JV	Subsidiary	no interest		**-**	**-**	**-**	-	1,800,072	1,800,072
Total loans due from related parties				**-**	**194,969,300**	**194,969,300**	-	185,299,030	185,299,030
Less: Provision for doubtful accounts (refer to note i below)				**-**	**(100,117,752)**	**(100,117,752)**	-	-	-
Loans due from related parties				**-**	**94,851,548**	**94,851,548**	-	185,299,030	185,299,030
Due from related parties									
The Weitz Company, LLC	Subsidiary	no interest	receivable on demand	**352,219**	**-**	**352,219**	236,834	-	236,834
Orascom Saudi	Subsidiary	no interest	receivable on demand	**169,134**	**-**	**169,134**	97,034	-	97,034
Orascom Holding Limited	Subsidiary	no interest	receivable on demand	**15,975**	**-**	**15,975**	1,000	-	1,000
				537,328	**-**	**537,328**	334,868	-	334,868
Loans due to related parties									
Orascom Holding Cooperatief U.A.	Subsidiary	refer note (d)	payable on 31 December 2020	**-**	**50,150,488**	**50,150,488**	-	19,950,631	19,950,631
OCI Construction Limited	Subsidiary	refer note (e)	payable on 31 December 2025	**-**	**16,744,708**	**16,744,708**	-	15,776,413	15,776,413
NSF Global Limited.	Subsidiary	refer note (f)	payable on 31 December 2025	**-**	**3,820,588**	**3,820,588**	-	3,740,866	3,740,866
Cementech Limited (see note (ii) above)	Subsidiary			**-**	**-**	**-**	-	201,884,848	201,884,848
				-	**70,715,784**	**70,715,784**	-	241,352,758	241,352,758
Due to related parties									
OCI N.V.	Related via key management personnel	no interest	payable on demand	**2,449,796**	**-**	**2,449,796**	2,582,829	-	2,582,829
Contrack Watts, Inc.	Subsidiary	no interest	payable on demand	**3,654,727**	**-**	**3,654,727**	2,073,690	-	2,073,690
Orascom Holding Cooperatief U.A.	Subsidiary	no interest	payable on demand	**352,285**	**-**	**352,285**	199,434		199,434
				6,456,808	**-**	**6,456,808**	4,855,953	-	4,855,953

12 Related party transactions (continued)

Interest terms

(a) The loan carries interest at six months LIBOR rate plus 3.30%.
(b) The loan carries interest at one month LIBOR rate plus 3.25%.
(c) The loan due from Orascom Construction SAE comprise the following loans:

i. A loan denominated in Egyptian pounds amounting to USD 23,722,671 *(31 December 2017: USD 34,717,840)* which carries interest at Egyptian Central Bank Mid Corridor rate plus 1%.
ii. A loan denominated in US dollars amounting to USD 1,800,072 *(31 December 2017: nil)* which carries no interest.

(d) The loan carries interest at one month LIBOR rate plus 1.40%.
(e) The loan carries interest at one month rate charged by one of the Company's bank plus 0.05%.
(f) The loan carries interest at one month LIBOR rate plus 0.05%.

(i) Provision for doubtful accounts

At the reporting date, based on the assessment carried out by the management, a provision of USD 100,117,752 was recognized based on management assessment of the recoverable amount for loans due from related parties, taking into consideration the related party's ability to pay.

13 Accounts payable and accrued expenses

	2018 USD	2017 USD
Accounts payable	**216,688**	221,747
Accrued expenses	**3,200,000**	1,684,967
	3,416,688	1,906,714

14 Share capital

The movement in share capital during the year is as follows:

	2018 USD	2017 USD
At 1 January	**116,761,379**	117,761,379
Cancellation of shares (refer note (i) below)	**-**	(1,000,000)
At 31 December	**116,761,379**	116,761,379

(i) On 23 January 2017, based on the approval of the Board of Directors, the Company cancelled 1,000,000 treasury shares which were bought back previously and accordingly the share capital and share premium were reduced by USD 1,000,000 and USD 7,314,061 respectively.

15 Dividend

During the current year, the Shareholders approved a dividend of USD 30 million. The dividend was paid to shareholders on 25 July 2018.

16 Reduction of share premium

On 9 May 2018, the balance in the share premium account was reduced by USD 281.3 million pursuant to the resolution initially approved by the Board of Directors on 28 June 2018 and subsequently approved by the shareholders at extraordinary general meeting. The share premium reduction was used to offset the accumulated losses of the Company.

17 Operating lease commitments

The Company as a lessee

The Company operates from a lease hold premise. The lease runs for a period of three years with an option to renew the lease at the end of the lease period. The lease rentals are usually renewed to reflect market rentals.

The future minimum lease payments under the current operating lease agreement are as follows:

	2018 USD	2017 USD
Less than one year	**238,608**	231,536
Between one and five years	**397,680**	700,128
Total	**636,288**	931,664
Rent expense (refer note 6)	**232,308**	232,374

18 Financial instruments

The financial assets of the Company include cash at banks, loans due from related parties and amounts due from related parties. The financial liabilities of the Company include accounts payable and accrued expenses, loans due to related parties and amounts due to related parties. Accounting policies for financial assets and liabilities are set out in note 4.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 USD	2017 USD
Loans due from related parties	**94,851,548**	185,299,030
Due from related parties	**537,328**	334,868
Cash at banks	**1,259,818**	2,034,292
	96,648,694	187,668,190

18 Financial instruments (continued)

Exposure to credit risk (continued)

Impairment losses

The movement in provision for doubtful accounts with respect to loans due from related parties during the year is as follows:

	2018 USD	2017 USD
At 1 January	**-**	-
Provision for the year (refer note 12)	**100,117,752**	-
At 31 December	**100,117,752**	-

Based on the review of the current position and historical default rate of outstanding balances, management believes that existing provision for doubtful accounts is adequate and considers that the balance amount is fully recoverable.

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting arrangements:

	Carrying Amount USD	**Contractual cash flows USD**	**1 year or less USD**	**More than 1 year USD**
31 December 2018				
Non-derivative financial liabilities				
Loans due to related parties	**70,715,784**	**72,005,933**	**-**	**72,005,933**
Due to related parties	**6,456,808**	**6,456,808**	**6,456,808**	**-**
Accounts payable and accrued expenses	**3,416,688**	**3,416,688**	**3,416,688**	**-**
	80,589,280	**81,879,429**	**9,873,496**	**72,005,933**
31 December 2017				
Non-derivative financial liabilities				
Loans due to related parties	241,352,758	246,978,491	-	246,978,491
Due to related parties	4,855,953	4,855,953	4,855,953	-
Accounts payable and accrued expenses	1,906,714	1,906,714	1,906,714	-
	248,115,425	253,741,158	6,762,667	246,978,491

18 Financial instruments (continued)

Interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

Variable rate instruments

	2018 **USD**	2017 USD
Financial assets	**93,051,476**	183,498,958
Financial liabilities	**(70,715,784)**	(241,352,758)
	22,335,692	(57,853,800)

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased/ (decreased) net profit by the amounts shown below. This analysis assumes that all other variables remain constant:

	2018	
	100 bp increase USD	**100 bp decrease USD**
Effect on profit or loss	**223,357**	**(223,357)**

	2017	
	100 bp increase USD	100 bp Decrease USD
Effect on profit or loss	(578,538)	578,538

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect.

18 Financial instruments (continued)

Currency risk

The Company's exposure to foreign currency risk as at reporting date is as follows:

	2018 Euro	**Egyptian pound**
Cash at banks	**32,870**	**1,035,619**
Loans due from related parties	**-**	**425,137,473**
Loans due to related parties	**(14,653,634)**	**-**
	(14,620,764)	**426,173,092**

	2017 Euro	Egyptian pound
Cash at banks	708	-
Loans due from related parties	-	616,876,991
Loans due to related parties	(13,141,973)	-
	(13,141,265)	616,876,991

Sensitivity Analysis

The following foreign exchange rates are applied by the Company during the year:

	Average rate 2018	**Spot rate 2018**	Average rate 2017	Spot Rate 2017
1 Euro	**1.1803**	**1.1427**	1.1317	1.2005
1 Egyptian pound	**0.0562**	**0.0558**	0.0563	0.0563

1% strengthening of the USD against the Egyptian Pound and Euro at 31 December would have increased/ (decreased) the net profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	2018 USD	2017 USD
Euro	**(167,071)**	(157,761)
Egyptian pound	**237,805**	347,302
	70,734	189,541

19 Operating segments

There were no operating segments identified by the management as at the reporting date.

20 Contingent liabilities and capital commitments

There were no contingent liabilities as of the reporting date *(31 December 2017: Nil)*. Further, there were no capital commitments as at the reporting date. *(31 December 2017: Nil)*.

21 Significant accounting estimates and judgements

The Company makes estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgments 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.

Impairment of investment in subsidiaries

The Company determines whether investment in subsidiaries is impaired on an annual basis or whenever there is any indication of impairment. This requires estimation of the "value in use" of the cash generating units. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows.

Impairment losses on receivables

The Company's credit risk is primarily attributable to its loan receivable from related parties and due from related parties. In determining impairment losses, the Company recognises loss allowance for expected credit losses on the financial asset that is measured at amortized cost or FVOCI, trade receivables and a contract asset. At each reporting date, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

At each reporting date, the Company assess whether the credit risk on a financial instrument has increased significantly since the initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

If reasonable and supportable forward-looking information is available without undue cost or effort, the Company cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Company may use past due information to determine whether there have been significant increases in credit risk since initial recognition.

21 Significant accounting estimates and judgements (continued)

Regardless of the way in which the Company assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can rebut this presumption if it has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When the Company determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

22 Subsequent events

Subsequent to the year-end the Board of Directors has proposed a dividend of USD 0.30 per share, which is to be approved by the shareholders at the Annual General Meeting on May 2019.