ORASCOM CONSTRUCTION LIMITED

Interim Consolidated Financial Statements

For the three month period ended 31 March 2015

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INDEPENDENT AUDITORS' REPORT

The Shareholders

Orascom Construction Limited

We have reviewed the accompanying 31 March 2015 consolidated interim financial statements of Orascom Construction Limited ("the Company") and its subsidiaries collectively referred to as ("the Group"), which comprises:

- the consolidated statement of financial position as at 31 March 2015;
- the consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2015;
- the consolidated statement of changes in equity for the three month period ended 31 March 2015;
- the consolidated statement of cash flows for the three month period ended 31 March 2015; and
- notes to the consolidated interim financial statements.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2015 consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Emphasis of matter

Without qualifying our conclusion above, management has elected to present the unaudited opening balances for the statement of financial position as at 1 January 2015. These opening balances were derived from the audited consolidated financial statements of OCI N.V. for the year ended 31 December 2014.

KPMG LLP

KPMG LLP
Dubai, UAE
Freddie Edward Cloete
Date: 28 May 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT

$ millions	Note	31 March 2015	1 January 2015
Assets			
Non-current assets			
Property, plant and equipment	(7)	267.7	272.3
Goodwill	(8)	12.4	12.4
Trade and other receivables	(9)	133.6	117.2
Equity accounted investees	(10)	358.3	389.4
Deferred tax assets	(11)	3.6	3.9
Total non-current assets		**775.6**	**795.2**
Current assets			
Inventories	(12)	182.9	184.3
Trade and other receivables	(9)	796.4	809.0
Contracts work in progress	(13)	884.5	614.4
Current income tax receivables		1.2	16.9
Cash and cash equivalents	(14)	396.7	368.9
Total current assets		**2,261.7**	**1,993.5**
Total assets		**3,037.3**	**2,788.7**
Equity			
Share capital	(15)	118.0	-
Share premium		772.8	-
Reserves	(16)	(62.3)	(17.0)
Retained earnings		28.4	744.7
Equity attributable to owners of the Company		**856.9**	**727.7**
Non-controlling interest	(17)	78.0	76.7
Total equity		**934.9**	**804.4**
Liabilities			
Non-current liabilities			
Loans and borrowings	(18)	27.1	30.8
Trade and other payables	(19)	22.7	33.2
Deferred tax liabilities	(11)	7.1	7.7
Total non-current liabilities		**56.9**	**71.7**
Current liabilities			
Loans and borrowings	(18)	343.6	435.2
Trade and other payables	(19)	669.4	712.3
Advanced payments from construction contracts		538.5	398.3
Billing in excess of construction contracts	(13)	381.9	251.5
Provisions	(20)	97.8	102.7
Income tax payables		14.3	12.6
Total current liabilities		**2,045.5**	**1,912.6**
Total liabilities		**2,102.4**	**1,984.3**
Total equity and liabilities		**3,037.3**	**2,788.7**

The notes on pages 7 to 40 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED

$ millions	Note	31 March 2015
Revenue	(25)	857.8
Cost of sales	(21)	(801.7)
Gross profit		**56.1**
Other income	(22)	2.2
Selling, general and administrative expenses	(21)	(34.7)
Operating profit		**23.6**
Finance income	(23)	5.7
Finance cost	(23)	(11.3)
Net finance cost	(23)	**(5.6)**
Income from equity accounted investees (net of tax)	(10)	(1.7)
Profit before income tax		**16.3**
Income tax	(11)	(6.8)
Total net profit		**9.5**
Other comprehensive income:		
Items that are or may be reclassified to profit or loss		
Net change in fair value of available-for-sale financial assets		-
Changes in fair value of cash flow hedges		(2.5)
Foreign currency translation differences		(40.7)
Other comprehensive income, net of tax		**(43.2)**
Total comprehensive income		**(33.7)**
Profit attributable to:		
Owners of the Company		5.8
Non-controlling interest		3.7
Net profit		**9.5**
Total comprehensive income attributable to:		
Owners of the Company		(35.3)
Non-controlling interest		1.6
Total comprehensive income		**(33.7)**
Earnings per share (in USD)		
Basic earnings per share	(24)	0.049

The notes on pages 7 to 40 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

$ millions	Note	Share capital (15)	Share premium	Reserves (16)	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest (17)	Total equity
Balance at 1 January 2015		**-**	**-**	**(17.0)**	**744.7**	**727.7**	**76.7**	**804.4**
Net profit / (loss)		-	-	-	5.8	5.8	3.7	9.5
Other comprehensive income		-	-	(41.1)	-	(41.1)	(2.1)	(43.2)
Total comprehensive income		-	-	**(41.1)**	**5.8**	**(35.3)**	**1.6**	**(33.7)**
Establishment of the Company	(15)	0.1	-	-	-	0.1	-	0.1
Capital in kind reduction of OCI N.V.	(15)	105.0	617.1	-	(722.1)	-	-	-
Dividends	(17)	-	-	-	-	-	(0.4)	(0.4)
Change in non-controlling interest		-	-	-	-	-	0.1	0.1
New shares issued	(15)	12.9	172.4	-	-	185.3	-	185.3
Treasury shares acquired	(16)	-	-	(4.2)	-	(4.2)	-	(4.2)
Transaction costs		-	(16.7)	-	-	(16.7)	-	(16.7)
Balance at 31 March 2015		**118.0**	**772.8**	**(62.3)**	**28.4**	**856.9**	**78.0**	**934.9**

The notes on pages 7 to 40 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED

$ millions	Note	31 March 2015
Net profit / (loss)		9.5
Adjustments for:		
Depreciation	(7)	14.3
Interest income	(23)	(1.2)
Interest expense (including gains / (losses) on derivatives	(23)	9.4
Foreign exchange gain / (loss) and others		(2.6)
Share in income of equity accounted investees	(10)	1.7
Loss on sale of property, plant and equipment		(0.5)
Income tax expense	(11)	6.8
Changes in:		
Inventories	(12)	1.4
Trade and other receivables	(9)	18.9
Contract work in progress	(13)	(270.1)
Trade and other payables	(19)	(46.9)
Advanced payments construction contracts		140.2
Billing in excess of construction contracts	(13)	130.4
Provisions	(20)	(0.2)
Cash flows:		
Interest paid	(23)	(9.4)
Interest received	(23)	1.2
Income taxes paid		(5.7)
Cash flow (used in) operating activities		**(2.8)**
Investments in property, plant and equipment	(7)	(22.8)
Proceeds from sale of property, plant and equipment		2.8
Cash flow (used in) investing activities		**(20.0)**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTH PERIOD ENDED (CONTINUED)

$ millions	Note	31 March 2015
Proceeds from borrowings	(18)	173.1
Repayment of borrowings	(18)	(268.4)
Other long term liabilities		(10.5)
Issue of new shares (net of transaction costs)		168.7
Purchase of treasury shares	(16)	(4.2)
Dividends paid to non-controlling interest	(17)	(0.4)
Cash flows from financing activities		**58.3**
Net increase in cash and cash equivalents		**35.5**
Cash and cash equivalents at 1 January	(14)	368.9
Currency translation adjustments		(7.7)
Cash and cash equivalents at 31 March	(14)	**396.7**

The notes on pages 7 to 40 are an integral part of these consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General

Orascom Construction Limited ('OCL') is a company limited by shares, incorporated with registered number 1752 in the Dubai International Financial Center (DIFC) on 18 January 2015 with its head office located at Gate Village-Building 3, DIFC, Dubai, UAE. OCL is dual listed on the NASDAQ Dubai and the Egyptian Exchange. The interim consolidated financial statements for the three month period ended 31 March 2015 comprise the financial statements of OCL, its subsidiaries and joint operations (together referred to as the 'Group') and the Group's interests in associates and joint ventures.

OCL 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, the Middle East, Africa and Central Asia for public and private clients.

2. Basis of preparation

2.1 General

The interim consolidated financial statements for the three month period ended 31 March 2015 have been prepared in accordance with International Accounting Standard 34 (IAS 34). As this is the first set of financial statements of OCL, they have not been prepared on a condensed basis and therefore include all disclosure requirements required for an annual financial statement. Following interim financial statements will be presented in a condensed format. As the company was only incorporated in 2015, no comparative information is provided with respect to 2014.

The OCL Interim Consolidated Financial Statements for the three month period ended 31 March 2015 are unaudited

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

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

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

The financial statements have been authorised for issue by the Company's Board of Directors on 28 May 2015.

2.2 Demerger of Construction and Engineering business

2.2.1 General

On 6 November 2014, the Board of Directors of OCI N.V. announced its intention to seek a dual listing for the Engineering & Construction business of OCI N.V., through the separation of OCI's Engineering & Construction business from OCI's Fertilizer & Chemicals business ("the Demerger"). The Board of Directors of OCI N.V. confirmed its intention to implement the Demerger at its meeting on 10 December 2014.

The Demerger 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. The Demerger has resulted in the Engineering & Construction and Fertilizer & Chemicals businesses being owned by two, separately-listed companies. OCI N.V. remains listed on Euronext Amsterdam and owns the Fertilizer & Chemicals business and OCL is dual-listed on the Nasdaq Dubai and the Egyptian Exchange and owns the Engineering & Construction business.

2.2.2 Transfer of the Construction activities

The transfer of the Construction activities into OCL was not a business combination under IFRS 3 and therefore did not result in any change of economic substance as far as OCL and the construction activities are concerned. Accordingly, the consolidated financial statements of OCL are a continuation of the construction activities of OCI N.V. The consolidated financial statements will reflect any difference in share capital and net assets contributed as an adjustment to equity. OCL does not recognize this adjustment in any component of equity that may be required to be reclassified to profit or loss at a later date.

2.2.3 Ongoing relationship between OCL and OCI N.V.

After the Demerger, OCI N.V. and OCL each operate as separately listed companies. There are no cross-directorships, other than Nassef Sawiris who is Chief Executive Officer of OCI N.V. and chairman of OCL, and Salman Butt, who is Chief Financial Officer of OCI N.V. and non-executive director of OCL. The senior management teams of OCI N.V. and OCL are different and all agreements between the two companies are executed based on agreed terms.

OCL's objective is to increase self-generated opportunities in the future to replace the work awarded by OCI N.V. However, OCL and OCI N.V. are party to continuing commercial arrangements, in particular, in relation to the construction of certain fertilizer plants. The existing commercial arrangements were entered into on an arms' length basis and are not materially different from the terms on which OCL has contracted with other customers and future commercial arrangements.

2.2.4 Shared services agreement

On 5 February 2015, OCI N.V. and OCL entered into a shared services agreement whereby each of the parties has agreed to supply certain transitional services to the other. These services include: the provision by OCI N.V. to OCL of accounting and consolidation, and any general corporate support services as required and the provision by OCL to OCI N.V. of accounting, treasury, information technology, administration, corporate human resources, and office space services. It is expected that the services will be provided for a transitional period of up to 12 months, following which each of the parties will make their own arrangements for the provision of these services. The consideration payable for the services are on a cost-plus basis.

2.2.5 Conditional sale agreement

On 5 February 2015, OC IHC 4 B.V. (a subsidiary of OCL) 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 OCL 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 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 OCL.

2.2.6 Tax indemnity agreement

On 6 February 2015, OCL 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 (further reference is made to note 12). 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 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).

2.2.7 Construction contracts

A commercial relationship between OCI N.V. and OCL will remain on-going in respect of the construction of two projects for the fertilizer business on an arms' length basis. Orascom E&C USA (subsidiary of OCL) is:

- party to an Engineering, Procurement and Construction (EPC) contract in respect of the Iowa Fertilizer Company (IFCo), a 2 million metric ton per annum (mmtpa) fertilizer and industrial chemicals greenfield plant under construction for OCI N.V. in Iowa, USA. Under the terms of the EPC contract, the new plant will utilize proven state-of-the-art production process technologies to produce between 1.5-2 million metric tons per year of ammonia, urea, urea ammonium nitrate (UAN) as well as diesel exhaust fluid (DEF), an environmentally friendly fuel additive; and
- in the process of finalizing the terms of an EPC contract for the construction of a methanol plant at Beaumont, Texas, USA for Natgasoline LLC. The plant is expected to have a capacity of up to 5,000 metric tons per day (tpd), equivalent to approximately 1.75 million metric tons per annum (mtpa).

As part of the Demerger of the Orascom Construction Group, OCI N.V. and Orascom Holding Cooperatief U.A., a company that is part of OCL, entered into a letter agreement in relation to the construction contracts entered into between companies within the fertiliser business of OCI N.V. (Fertilizer Business) and companies within the construction business of OCI N.V. (Construction Business). The agreement provides that if the Construction Business incurs costs, expenses or liabilities under the Contracts or for other works and services performed or to be performed for the Fertilizer Business, which are not otherwise reimbursable to the Construction Business under the terms of the Contracts and which exceed the amounts that will, in aggregate, have been and will be payable to the Construction Business under all of the Contracts (the excess being referred to as the Aggregate Group Shortfall), OCI N.V. will pay an amount equal to the Aggregate Group Shortfall. The amount payable by OCI N.V. to the Construction Business under the agreement is capped at USD 150 million.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Summary of significant accounting policies

3.1 Consolidation

The consolidated financial statements include the financial statements of OCL, its subsidiaries and the proportion of OCL's ownership of joint operations.

Subsidiaries

Subsidiaries are all companies to which OCL 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 OCL 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 OCL'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.

3.2 Discontinued operations / assets held for sale

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

- has operations and cash flows that can be clearly distinguished from the rest of OCL;
- represents a separate major line of business or geographical area of operations;
- 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 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 statement of financial position 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

The Group classifies financial instruments into the following categories: (i) financial instruments at fair value through profit or loss, (ii) derivatives designated in a hedge relationship, (iii) loans and receivables and (iv) available-for-sale financial assets. Financial instruments are classified as current liabilities unless the remaining term of the financial instruments or the remaining term of the facility, under which the financial instruments are drawn, is 12 months or more. The Group derecognizes a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Compound financial instruments are bifurcated and the components are presented separately as financial liabilities, financial assets or equity instruments.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.7 Financial instruments (continued)

Financial instruments at fair value through profit or loss

A financial instrument is classified at fair value through profit or loss if it is classified as held-for-trading or designated into this category. Directly attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. Financial instruments classified as 'at fair value through profit or loss' are initially recognized on the trade date and changes in fair value are accounted for under finance income and cost.

Embedded derivatives
Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not clearly and closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

Other non-trading derivatives
When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

Derivatives designated in a hedge relationship

In order to mitigate risk, the Group applies hedging in case by case situations. The Group holds derivative financial instruments to hedge its foreign currency risk, interest rate risk, and fluctuating natural gas price exposures. On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk on a prospective and retrospective basis.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss. Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below:

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction that could ultimately affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income as 'hedging reserve', net of related tax. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. When the hedged item is a non-financial asset, the amount otherwise accumulated in equity is included in the carrying amount of the asset. In other cases, the amounts recognized as other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. In these cases, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the balance in equity is reclassified to profit or loss.

Loans and receivables

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost, using the effective interest method less any impairment losses.

The Group recognizes a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of the grantor for the construction, or upgrade services provided. Such financial assets are measured at fair value on initial recognition and classified as loans and receivables. Subsequent to initial recognition, the financial assets are measured at amortized cost. If the Group has paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognized at the fair value of the consideration.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative instruments that are either designated in this category or not classified in any of the other categories of financial instruments under IAS 39. Available-for-sale financial assets include debt and equity securities. For available-for-sale debt securities interest income is recognized using the effective interest method. Available-for-sale financial assets are accounted for using trade date accounting and are carried at fair value. The change in fair value is recognized in other comprehensive income net of taxes. When securities classified as available-for-sale are sold or impaired, the accumulated gains and losses are reclassified to profit or loss. Available-for-sale financial assets are included in non-current assets unless the Group intends to dispose of the available-for-sale financial assets within 12 months after the balance sheet date. The dividend income from equity instruments is recognized in profit or loss as 'Other income' when the Group's right to receive payment is established.

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 Company's ability to use this cash. Restricted cash includes cash deposited as collateral for letters of credit issued by the Company.

3.8 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.

3.9 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

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
Plant and equipment	5 - 25
Fixtures and fittings	3 - 10

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.9 Property, plant and equipment (continued)

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.

3.10 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 is recognized in profit or loss as incurred.

3.11 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.

3.12 Impairment of assets

Non-derivative financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a non-derivative financial asset or a group of non-derivative financial assets is impaired. An impairment loss is recognized for the amount by which the carrying amount of a non-derivative financial asset exceeds its estimated discounted future cash flows using the original interest rate. Impaired non-derivative financial assets are tested periodically to determine whether the estimated future cash flows have increased and the impairment has to be 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. In the case of a financial asset classified as available-for-sale, a significant or prolonged decline in the fair value of the available-for-sale financial asset below its acquisition cost is considered as an indicator that the available-for-sale financial asset is impaired. If any such evidence exists for an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

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 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.

3.13 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 are 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 contracts

A provision for onerous contracts 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 onerous contracts 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 Company. 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.

3.14 Revenue recognition

Revenues comprise the fair value of the considerations received or receivable from the sale of goods and services to third parties in the ordinary course of the Group's activities, excluding the taxes levied and taking into account any discounts granted. OCL recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to OCL and specific criteria have been met as described below.

Construction contracts

Construction contracts are stated at cost incurred and allocated result in line with the progress of the construction, less total expected losses and invoiced instalments. The cost price consists of all costs which are directly related to the project and directly attributable indirect cost based on the normal production capacity. If the outcome of a contract can be estimated reliably, project revenue and cost are recognized in profit or loss based on the progress of work performed. If the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs, which also requires significant judgment relating to achieving certain performance standards as well as estimates involving warranty costs and estimates regarding project delays, including the assessment of responsibility splits between the contract partners for these delays. If it is probable that the total contract cost exceeds the total contract revenue, the total expected loss is recognized as an expense. The Group uses the 'percentage of completion method' to determine the appropriate amount of revenue (and cost) to be recognized in a given period. The stage of completion is measured by reference to the contract cost incurred as a percentage of total actual, compared to the estimated project cost. In case of fixed price contracts, revenue is recognized when the total contract revenue can be measured reliably, it is probable that future economic benefits will flow to the entity, both the contract cost and the stage of completion can be measured reliably at the end of the period and the contract cost attributable to the contract can be clearly

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.14 Revenue recognition (continued)

identified so that actual cost incurred can be compared with prior periods. For cost plus contract revenue is recognized when it is probable that future economic benefits associated with the contract will flow to the entity and the contract cost attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably. Projects are presented in the statement of financial position as 'Contract receivables' or 'Billing in excess of construction contracts'. If the costs incurred (including the result recognized) exceed the invoiced instalments, the net contract position is presented as a receivable. If the invoiced instalments exceed the costs incurred (including the result recognized) the net contract position is presented as a liability.

Contracts comprising the construction of a project and the possibility of subsequent long-term maintenance of that project as separate components, or for which these components could be negotiated individually in the market, are accounted for as two separate contracts. Revenue and results are recognized accordingly in the consolidated statement of comprehensive income as construction contract revenue or the rendering of services, respectively.

Service concession arrangements

Revenue related to construction or upgrade services under a service concession arrangement is recognized based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognizing revenue on construction contracts. Operation or service revenue is recognized in the period in which the services are provided by the Group. If the Group provides more than one service in a service concession arrangement, then the consideration received is allocated with reference to the relative fair values of the services delivered if the amounts are separately identifiable.

Goods sold

Revenue on goods sold is recognized, in addition to abovementioned criteria, when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership of the goods have transferred to the customer, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement, whereby usually the transfer occurs when the product is received at the customer's warehouse or the products leave the Company's warehouse; however, for some international shipments transfer occurs on loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return.

3.15 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.

3.16 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 Limited 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.

3.17 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.

3.18 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. OCL recognizes termination benefits when OCL is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or when OCL 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.

3.19 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.19 Income tax (continued)

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.

3.20 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.

3.21 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.

3.22 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.

3.23 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 OCL in 2015

As these are the first Consolidated Financial Statements of the Orascom Construction Group, there are no effects of IAS 8 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 OCL

IFRS 9 'Financial Instruments' IFRS 9 is effective for annual periods beginning on or after 1 January 2018 (tentative). IFRS 9 addresses the classification and measurement of financial assets. The publication of IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. OCL is currently investigating the impact of IFRS 9 on the consolidated financial statements.

IFRS 14 'Regulatory Deferral Accounts'

The Standard was issued in January 2014 and is effective from 1 January 2016, with earlier application permitted. IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 will not have an impact on the consolidated financial statements, because OCL is not a first-time adopter.

IFRS 15 'Revenue from Contracts with Customers'

The Standard was issued in January 2014 and is effective from 1 January 2017. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The group does not expect a significant impact from the application of this standard.

Amendments to IAS 1 'Disclosure Initiative'

The amendments issued on 18 December 2014 are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. OCL is currently investigating the impact of the amendments.

Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

The amendments issued on 11 September 2014 are effective for annual periods beginning on or after 1 January 2016. When a parent losses control of a subsidiary in a transaction with an associate or joint venture, there is a conflict between the existing guidance on consolidation and equity accounting. In response to this conflict and the resulting diversity in practice, the amendments requires the recognition of the full gain when the assets transferred meet the definition of a business combination under IFRS 3. OCL is currently investigating the impact of the amendments.

Amendments to IAS 27 'Equity Method in Separate Financial Statements'

The amendment to IAS 27 issued on 12 August 2014 will be effective for reporting period starting on or after 1 January 2016. In some countries, local regulations require entities to apply the equity method for accounting for investments in subsidiaries in their separate financial statements. The amendment allows for the use of the equity method. OCL does not currently apply IFRS for its separate financial statements.

Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization'

The amendments issued on 12 May 2014 are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. OCL is currently investigating the impact of the amendments.

Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'

The amendment was issued on 6 May 2014 and will be effective for reporting periods starting on or after 1 January 2016. The amendment states that, where a joint operator acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, it must apply all of the principles on business combinations accounting as set out in IFRS 3 Business Combinations, and other standards. In addition, the joint operator must disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendment will only affect OCL's consolidated financial statements if the entity would enter into a significant joint operation.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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, OCL 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, OCL makes estimates and assumptions about future cash flows based on the value in use. In doing so, OCL also makes assumptions and estimates regarding the discount rates in order to calculate the net present value of the future cash flows.

OCL 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, OCL makes estimates and assumptions concerning future revenues, future costs, future working capital, future investments, Weighted Average Cost of Capital (WACC) and future inflation rates.

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. OCL 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, OCL makes estimates and assumptions about future cash flows based on the value in use. In doing so OCL 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

The fair value of financial instruments traded in active markets (financial instruments in the fair value hierarchy category 1) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market (financial instruments in the fair value hierarchy category 2) is determined using generally accepted valuation techniques. These valuation techniques include estimates and assumptions about forward rates, discount rates based on a single interest rate, or on a yield-curve based on market conditions existing at the balance sheet date. The fair value of borrowings and interest rate swaps is calculated based on the present value of the estimated future cash flows based on the yield-curve applicable at the balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The net carrying amount of trade receivables and trade payables is assumed to approximate the fair value due to the short term nature. The fair value of non-current financial liabilities is estimated by discounting the future cash flows using yield-curves. For unlisted equity securities in the available-for-sale category (financial instruments in the fair value hierarchy category 3) the equity-method is used as a proxy for fair value. In using the equity method, input is derived from the financial statements of the unlisted equity investments. Counterparty risk in connection with triggers for impairment is based on judgment of the financial position of the counterparty. A significant and prolonged decline in fair value of available-for-sale financial assets depends on the average volatility of the instrument, if an instrument exceeds certain ranges in both time frame and negative volatility, a trigger for impairment is considered. This is considered on an item by item basis.

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 OCL uses judgment in order to determine whether a financial asset may be impaired. OCL 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. For listed equity securities in the available-for-sale financial assets category, the Group uses the assumption that if the market value declined by more than 25 percent and more than 6 months, the asset is assumed to be impaired. For debt-securities, an impairment trigger exist when the counterpart fails to meet its contractual payment obligations or there is evidence that the counterpart has encountered financial difficulties. The impairment is determined based on the carrying amount and the recoverable amount. The recoverable amount is determined as the present value of estimated future cash flows using the original effective interest rate.

Inventories

In determining the net realisable value of inventories, OCL estimates the selling prices in the ordinary course of business, cost of completion and cost to sell. In doing so, OCL 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.

OCL 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.

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

Revenue recognition on construction contracts

The Company conducts a significant portion of its business under construction contracts with customers. The Company generally accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on contract progresses. 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. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, 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. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues in the respective reporting period.

Income taxes

OCL 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. OCL 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 OCL 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 sale for sale, discontinued operations

OCL 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, OCL 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 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 March 2015
Trade and other receivables (excluding prepayments)	(9)	911.7
Contract work in progress	(13)	884.5
Cash and cash equivalents (excluding cash on hand)	(14)	395.4
Total		**2,191.6**

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

$ millions	31 March 2015
Middle East and Africa	705.2
Asia and Oceania	47.2
Europe and United States	159.3
Total	**911.7**

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.

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

At 31 March 2015 $ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(18)	370.7	402.3	44.4	328.1	29.8
Trade and other payables	(19)	692.1	692.1	669.4	-	22.7
Advanced payments from construction contracts		538.5	538.5	-	538.5	-
Total		**1,601.3**	**1,632.9**	**713.8**	**866.6**	**52.5**

The interest on floating rate loans and borrowings is based on forward interest rates at period-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, OCL'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 the Egyptian pound, the Algerian dinar and the 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.

OCL is not exposed to the Saudi real (SAR), UAE dirham and the Qatar real. 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 capital expenditures and receivables. The Group monitors the exposure to foreign currency risk arising from operating activities. The Group does not use foreign exchange contracts for hedge accounting purposes, therefore all changes in fair value adjustments are recognized in profit or loss.

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 the Euro, US Dollar, Egyptian Pound and Arabic Emirate Dirham.

The Group uses foreign exchange contracts to manage its foreign exchange transaction exposure.

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 March 2015 $ millions	EUR	EGP	DZD
Cash and cash equivalents	11.3	43.5	13.9
Trade and other receivables	0.3	98.9	-
Trade and other payables	(5.7)	(18.1)	-
Loans and borrowings	-	(79.0)	-

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Financial risk and capital management (continued)

Significant rates

The following significant exchange rates applied during the three month period ended 31 March 2015:

	Average 2015	Closing 31 March 2015	Opening 1 January 2015
Egyptian pound	0.1329	0.1319	0.1398
Saudi riyal	0.2663	0.2665	0.2664
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Algerian Dinar	0.0107	0.0102	0.0114
Euro	1.1325	1.0820	1.2155

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 March 2015, 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 5.1 million of the profit of the three month period ended 31 March 2015.

31 March 2015 $ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	0.6	33.4
EGP - USD	10%	4.5	-

* 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 analyses its interest rate exposure on a dynamic basis. 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:

$ millions	In basis points	March 2015
Effect on profit before tax for the coming year	+100 bps	(3.3)
	- 100 bps	3.3

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. As of 31 March 2015, the Group applied no cash flow hedge accounting; the hedge reserve recognized in other comprehensive income relates to the joint venture Besix.

Categories of financial instruments

31 March 2015 $ millions	Note	Loans and receivables at amortized cost	Derivatives at fair value
Assets			
Trade and other receivables	(9)	925.9	4.1
Cash and cash equivalents	(14)	396.7	-
Total		**1,322.6**	**4.1**
Liabilities			
Loans and borrowings	(18)	370.7	-
Trade and other payables	(19)	692.1	-
Advanced payments construction contracts		538.5	-
Total		**1,601.3**	-

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 March 2015
Loans and borrowings	(18)	370.7
Less: cash and cash equivalents	(14)	396.7
Net debt		**(26.0)**
Total equity		934.9
Net debt to equity ratio		**(0.03)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Property plant and equipment

$ millions	Land	Buildings	Equipment	Fixtures and fittings	Under construction	Total
Cost	16.0	138.4	418.8	136.3	7.9	**717.4**
Accumulated depreciation	-	(31.6)	(304.5)	(109.0)	-	**(445.1)**
At 1 January 2015	**16.0**	**106.8**	**114.3**	**27.3**	**7.9**	**272.3**
Movements in the carrying amount:						
Additions	-	0.9	10.9	4.5	6.5	**22.8**
Disposals	-	-	(2.1)	(0.2)	-	**(2.3)**
Depreciation	-	(1.2)	(10.3)	(2.8)	-	**(14.3)**
Transfers	-	-	1.9	0.1	(2.0)	**-**
Effect of movement in exchange rates	(1.0)	(9.2)	(1.7)	1.5	(0.4)	**(10.8)**
At 31 March 2015	15.0	97.3	113.0	30.4	12.0	**267.7**
Cost	15.0	127.5	405.3	136.1	12.0	**695.9**
Accumulated depreciation	-	(30.2)	(292.3)	(105.7)	-	**(428.2)**
At 31 March 2015	**15.0**	**97.3**	**113.0**	**30.4**	**12.0**	**267.7**

8. Goodwill

$ millions	Total
Cost	12.4
Accumulated impairment	-
At 1 January 2015	**12.4**
Cost	12.4
Accumulated impairment	-
At 31 March 2015	**12.4**

Goodwill

Goodwill fully relates to the acquisition of Weitz in 2012. 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.

Goodwill is tested for impairment in the fourth quarter of the year.

9. Trade and other receivables

$ millions	31 March 2015	1 January 2015
Trade receivables (gross)	438.2	438.6
Allowance for trade receivables	(30.3)	(32.3)
Trade receivables (net)	407.9	406.3
Trade receivables due from related parties (note 28)	81.3	171.5
Prepayments	18.3	17.6
Derivative financial instruments	4.1	8.5
Other tax receivable	30.0	30.4
Supplier advanced payments	115.2	84.4
Other investments	8.7	8.4
Retentions	199.6	137.0
Other receivables	64.9	62.1
Total	**930.0**	**926.2**
Non-current	133.6	117.2
Current	796.4	809.0
Total	**930.0**	**926.2**

The carrying amount of 'Trade and other receivables' as at 31 March 2015 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 March 2015	1 January 2015
Neither past due nor impaired	84.5	73.3
Past due 1 - 30 days	25.6	58.7
Past due 31 - 90 days	162.5	124.0
Past due 91 - 360 days	141.4	140.8
More than 360 days	24.2	41.8
Total	**438.2**	**438.6**

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

The movement in the allowance for impairment in respect of trade receivables during the three month period ended 31 March 2015 was as follows:

$ millions	2015
At 1 January	**(32.3)**
Unused amounts reversed	0.9
Used amounts	0.3
Exchange rates differences	0.8
At 31 March	**(30.3)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Trade and other receivables (continued)

Derivative financial instruments include the following:

Foreign exchange contracts
The Group entered into forward exchange contracts to hedge its currency risk exposure to the Japanese Yen. The Group does not apply hedge accounting, therefore all fair value changes related to this financial instrument are recognized in profit or loss. The amounts recognized in the hedge reserve relate to hedge accounting applied at the joint venture BESIX. As at 31 March 2015, the foreign exchange contracts have a fair value of USD 4.1 million and a remaining notional amount of USD 87.2 million.

10. Equity accounted investees

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

$ millions	2015
At 1 January	**389.4**
Share in loss	(1.7)
Investment / divestment	8.5
Dividends	-
Movement in hedge reserve	(9.5)
Effect of movement in exchange rates	(28.4)
At 31 March	**358.3**

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. In 2004, OCI N.V. acquired 50% of BESIX in a joint leverage buyout in partnership with BESIX management.

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

31 March 2015 $ millions	BESIX Group (50%)
Assets	1,158.7
Liabilities	(855.9)
Net assets	302.8
Construction revenues	276.9
Construction cost	(282.7)
Net (loss)	**(5.8)**

ii) 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 Limited	UAE	50.0
Alico Egypt	OC IHC2 B.V.	Egypt	50.0
Egyptian Gypsum Company	UHC	Egypt	28.3
Sidra Medical Center (see note 26)	Contrack Cyprus	Cyprus	45.0
URS Contrack Pacer Forge IV	Contrack Int.	USA	45.0
Watts - Webcor Obayashi	Contrack Int.	USA	34.0
RW Constructors LLC	The Weitz Group	USA	50.0
Alexander - Weitz	The Weitz Group	USA	49.0
National Pipe Company	OCI Construction	Egypt	40.0
El Yamama	OCI Construction	Egypt	50.0
Orasqualia, Orasqualia for Construction S.A.E. and Orasqualia for Maintenance	OCI Construction	Egypt	50.0

(iii) The following table summarizes the financial information of the Orascom Construction Group's significant associates (100%) including BESIX, El Yamama, National Pipe Company, all of Weitz's associates, Egyptian Gypsum Company and Sidra Medical Centre:

$ millions	31 March 2015
Assets	2,423.5
Liabilities	(1,820.4)
Net assets	**603.1**
Income	645.9
Expenses	(652.4)
Net profit / (loss)	**(6.5)**

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.

Service concession arrangements

On 29 June 2009 Orasqualia, a partnership between the Orascom Construction Group and Aqualia (a Spanish company specialized in water
11. treatment) entered into an agreement with 'The New Urban Communities Authority' (further referred to as 'NUCA') for the availability and
operation of a wastewater treatment plant in New Cairo, Egypt. NUCA is a governmental body under the direction of the Minister of Housing,
Utilities and Urban Development in Egypt.

The purpose of the agreement with NUCA is to design, finance, construct, operate, maintain, renew and transfer the ownership back to NUCA at the expiry date; therefore NUCA will become the owner of the infrastructure after the expiration date. NUCA controls and regulates what services Orasqualia must provide with the infrastructure, to whom it must provide them, and at what price.

The agreement has a predefined and fixed-term of 20 years from the effective date (September 2013). Orasqualia will perform the sewage treatment services in compliance with the performance criteria determined by NUCA and good industry practice for the contract duration.

NUCA will pay a quarterly sewage treatment charge to Orasqualia, existing of a fixed and a variable component. Furthermore, NUCA will pay a pass-through charge to reimburse Orasqualia for the full cost of electricity consumption.

Orasqualia performs both construction of the plant and operation services under a single contract. Revenue related to construction or upgrade services under a service concession arrangement is recognized based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognizing revenue on construction contracts.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 6.8 million expense and can be summarized as follows:

$ millions	31 March 2015
Current tax	(5.6)
Deferred tax	(1.2)
Total income tax in profit or loss	**(6.8)**

11.2 Reconciliation of effective tax rate

OCL's operations are subject to income taxes in various foreign jurisdictions, the statutory income tax rates vary from 0.0% to 40.0%.

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

$ millions	31 March 2015	%
Profit / (loss) before income tax	16.3	
Tax calculated at weighted average group tax rate	**(4.6)**	**28.1**
Unrecognized tax losses	(1.3)	8.6
Recognition of previously unrecognized tax losses	1.7	(10.4)
Expenses non-deductible	(2.1)	12.8
Other	(0.5)	3.1
Total income tax in profit or loss	**(6.8)**	**41.9**

11.3 Deferred income tax assets and liabilities

The majority of the temporary deferred tax liabilities of net USD 4.1 million relate to property, plant and equipment. OCL has recognized carry forward loses for USD 0.6 million.
Deferred tax liabilities recognized in relation to property, plant and equipment will be realized over the depreciation period of the related asset. The carry forward losses recognized in the statement of financial position are expected to be realized in the period 2016-2019.

12. Inventories

$ millions	31 March 2015	1 January 2015
Finished goods	1.4	1.2
Raw materials and consumables	157.3	157.3
Fuels and others	15.3	16.3
Real estate	8.9	9.5
Total	**182.9**	**184.3**

During the three month period ended 31 March 2015, the total write-downs amount to USD nil million which all related to raw materials. During the three month period ended 31 March 2015 there were no reversals of write downs.

The real estate relates to the land bank 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 March 2015	1 January 2015
Costs incurred on incomplete contracts (including estimated earnings)	10,591.0	10,906.0
Less: billings to date	(10,102.6)	(10,561.0)
Less: impairment of construction work in progress	14.2	17.9
Total	**502.6**	**362.9**
Presented in the consolidated statements of financial position as follows:		
Construction contracts in progress - current assets	884.5	614.4
Billing in excess on construction contracts - current liabilities	(381.9)	(251.5)
Total	**502.6**	**362.9**

14. Cash and cash equivalents

$ millions	31 March 2015	1 January 2015
Cash on hand	1.3	0.5
Bank balances	319.1	288.9
Restricted funds	7.8	9.8
Restricted cash	68.5	69.7
Total	**396.7**	**368.9**

Restricted funds

The restricted funds mostly relate to letters of credits of Orascom E&C (USD 4.7 million) and to letters of guarantee of OCI (USD 1.4 million) and National Steel Fabrication (USD 1.1 million).

Restricted cash

Restricted cash relates to moneys withheld in relation to two final installments on a loan held by Orascom Saudi for USD 10.6 million, amounts restricted for use by a bond agreement of Weitz for an amount of USD 11.0 million and USD 46.9 million pledged as collateral against loans.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Share capital

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

	2015
At 1 January	**-**
Establishment of Company on 18 January 2015	50,000
Number of issued shares as a result of the capital in kind reduction of OCI N.V. on 9 March 2015	105,006,927
New issued shares on 11 March 2015	12,984,565
At 31 March - fully paid	**118,041,492**
At 31 March (in millions of USD)	**118.0**

16. Reserves

$ millions	Hedge reserve	Currency translation	Treasury shares	Total
At 1 January 2015	**(11.9)**	**(5.1)**	**-**	**(17.0)**
Changes in cash flow hedge reserve	(2.5)	-	-	(2.5)
Currency translation differences	-	(38.6)	-	(38.6)
Other comprehensive income	**(2.5)**	**(38.6)**	**-**	**(41.1)**
Treasury shares acquired	-	-	(4.2)	(4.2)
At 31 March 2015	**(14.4)**	**(43.7)**	**(4.2)**	**(62.3)**

Treasury shares

During the three month period ended 31 March 2015 the company has acquired 280,113 shares.

	31 March 2015
Number of shares acquired	280,113
Cost of acquiring the shares (in millions of USD)	**4.2**
Average cost per share (EGP)	108.71

17. Non-controlling interest

31 March 2015 $ million	United Holding Company	Orascom Saudi	Suez Industrial Development Company	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%	-	-
Non-current assets	8.0	16.5	11.3	9.0	44.8
Current assets	16.4	105.3	18.8	9.1	149.6
Non-current liabilities	-	(1.8)	-	(0.1)	(1.9)
Current liabilities	(7.4)	(92.9)	(13.4)	(0.8)	(114.5)
Net assets	**17.0**	**27.1**	**16.7**	**17.2**	**78.0**
Revenues	5.8	26.5	0.5	137.4	170.2
Profit	1.0	1.0	0.1	1.6	3.7
Other comprensive income	0.6	-	(1.0)	(1.7)	(2.1)
Total comprehensive income	**1.6**	**1.0**	**(0.9)**	**(0.1)**	**1.6**
Dividend cash flows	**-**	**-**	**-**	**(0.4)**	**(0.4)**

18. Loans and borrowings

Borrowing Company	Type of loan	Interest rate	Date of maturity	Long term portion	Short term portion	Bank overdraft	Total
OC SAE	Secured	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor + 9.75 - 12,95%	Annual	-	-	299.0	299.0
Orascom Saudi	Secured	Saibor + 2.75%	Annual	0.3	22.3	-	22.6
	Secured	Saibor + 2.00%	Annual	-	-	70.6	70.6
Orascom Construction Industries - Algeria	Secured	Variable 6.5%	-	0.1	-	36.0	36.1
The Weitz Group, LLC	Unsecured	Multiple rates	March 2018	30.4	3.5	-	33.9
Other	-	Multiple rates	-	-	0.8	3.0	3.8
Total as per 1 January 2015				**30.8**	**26.6**	**408.6**	**466.0**

Borrowing Company	Type of loan	Interest rate	Date of maturity	Long term portion	Short term portion	Bank overdraft	Total
OC SAE	Secured	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 9.75 - 12.95%	Annual	-	-	188.5	188.5
Orascom Saudi	Secured	Saibor + 2.75%	Annual	0.1	17.0	-	17.1
	Secured	Saibor + 2.00%	Annual	-	-	80.4	80.4
Orascom Construction Industries-Algeria	Secured	Variable 6.5%	03/2016	0.1	33.6	-	33.7
The Weitz Group, LLC	Unsecured	Multiple rates	03/2018	26.9	3.6	-	30.5
Orascom Road Construction	-	Multiple var. rates	-	-	1.5	17.0	18.5
Other	-	Multiple rates	-	-	-	2.0	2.0
Total as per 31 March 2015				**27.1**	**55.7**	**287.9**	**370.7**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

Covenants
Certain covenants apply to the aforementioned borrowings.

19. Trade and other payables

$ millions	31 March 2015	1 January 2015
Trade payables	361.5	369.8
Trade payables due to related party (note 28)	22.1	24.3
Other payables	25.1	99.8
Accrued expenses	202.5	173.0
Deferred revenues	8.2	8.8
Other tax payables	8.5	10.3
Retentions payables	61.5	55.7
Employee benefit payables	2.7	3.8
Total	**692.1**	**745.5**
Non-current	22.7	33.2
Current	669.4	712.3
Total	**692.1**	**745.5**

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.

20. Provisions

$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2015	**14.7**	**29.3**	**58.7**	**102.7**
Provision made during the period	-	2.9	0.5	3.4
Provision used during the period	-	-	(0.2)	(0.2)
Provision reversed during the period	(1.1)	(4.3)	-	(5.4)
Others	-	1.2	(0.2)	1.0
Effect of movement in exchange rates	(0.2)	(0.1)	(3.4)	(3.7)
At 31 March 2015	**13.4**	**29.0**	**55.4**	**97.8**
Non-current	13.4	29.0	55.4	97.8
Current	-	-	-	-
Total	**13.4**	**29.0**	**55.4**	**97.8**

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

a. Expenses by nature

$ millions	31 March 2015
Changes in raw materials and consumables, finished goods and work in progress	662.2
Employee benefit expenses (b)	142.0
Depreciation, amortization	14.3
Maintenance and repairs	6.5
Consultancy expenses	1.9
Other	9.5
Total	**836.4**

The expenses by nature comprise 'cost of sales' and 'selling and general and administrative expenses'.

b. Employee benefit expenses

$ millions	31 March 2015
Wages and salaries	128.3
Social securities	3.1
Employee profit sharing	0.4
Pension cost	1.1
Other employee expenses	9.1
Total	**142.0**

During the three month period ended 31 March 2015, the number of key executives was 1, which represents the Executive Board member. During the three month period ended 31 March 2015, the average number of staff employed in the Group converted into full-time equivalents amounted to 21,495 permanent and 36,070 temporary employees.

22. Other income

$ millions	31 March 2015
Net gain on sale of property, plant and equipment	0.5
Other income	1.7
Total	**2.2**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Net finance cost

$ millions	31 March 2015
Interest income on loans and receivables	1.1
Fair value gain on derivatives	0.1
Foreign exchange gain	4.5
Finance income	**5.7**
Interest expense on financial liabilities measured at amortized cost	(9.4)
Foreign exchange loss	(1.9)
Finance cost	**(11.3)**
Net finance cost recognized in profit or loss	**(5.6)**

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

$ millions	31 March 2015
Total interest income on financial assets	1.1
Total interest expenses on financial liability	(9.4)

24. Earnings per share

	31 March 2015
i. Basic	
Net Profit / (Loss) attributable to shareholders in 1 USD	5,760,918
Number of ordinary share (Basic)	117,761,379
Basic earnings per ordinary share	**0.049**

(i) Weighted average number of ordinary shares calculation

shares	2015
Issued ordinary shares as at 9 March 2015	105,056,927
Effect of treasury shares held	(280,113)
Effect of new shares issued at 11 March 2015	12,984,565
Number of ordinary shares outstanding at 31 March	**117,761,379**

As Orascom Construction Limited received the Construction Business as a capital in kind contribution from OCI N.V. as at 9 March 2015, the number of shares at this date have been used in the calculation of the weighted average number of ordinary shares instead of the number of ordinary shares as at 1 January 2015 (which were nil).

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

		MENA	USA	BESIX**	Total
$ millions	Note	31 March 2015	31 March 2015	31 March 2015	31 March 2015
Total revenue*		**411.7**	**446.1**	**-**	**857.8**
Share in profit of associates	(10)	1.3	2.8	(5.8)	(1.7)
Depreciation and amortization	(7)	(13.6)	(0.7)	-	(14.3)
Interest income (including gains /(losses) on derivatives)	(23)	1.0	0.1	-	1.1
Interest expense	(23)	(9.1)	(0.3)	-	(9.4)
Profit before tax		**18.7**	**3.4**	**(5.8)**	**16.3**
Investment in PPE	(7)	22.4	0.4	-	22.8
Non-current assets		**445.2**	**27.6**	**302.8**	**775.6**
Total assets		**1,986.5**	**748.0**	**302.8**	**3,037.3**
Total liabilities		**1,471.3**	**631.1**	**-**	**2,102.4**

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

**BESIX is presented as part of 'Associates', therefore in the above schedule only the income from associates 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 analyses 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	2015
Egyptian Government	25%
OCI N.V. Group	27%
Total	**52%**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Contingencies

Contingent liabilities

Letters of guarantee / letters of credit

Letters of guarantee issued by banks in favor of others as at 31 March 2015 amount to USD 1,118.9 million (1 January 2015: USD 1,025.0 million). Outstanding letters of credit as at 31 March 2015 (uncovered portion) amount to USD 109.4 million (1 January 2015: USD 72.5 million).

Litigations and claims

In the normal 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. OCL 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 unfavorable, 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, OCL 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 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.

Administrative court against Suez Industrial Development Company

A decision was issued against Suez Industrial Development Company, which operates in the field of land development in the North West of the Gulf of Suez in Egypt, for the cessation of dealings on any of its allocated plots of land as of mid-November 2011 until the investigations, conducted by the Public Fund Prosecution and Military Prosecution and relating to the allocation and sale of lands located in the North West of the Gulf of Suez, are concluded. On 28 May 2012, the company has submitted a request to the Dispute Settlement Committee at the General Authority of Investment and Free Zones to cancel the said decision. On 25 July 2012, the decision issued by the Prime Minister to withdraw the plot of land allocated to the company was challenged before the Administrative Court and the hearing was postponed to 2 November 2013. On the hearing of November 2, 2013, the hearing was referred to a different court on the grounds of jurisdiction and accordingly the case was referred to the 8th District Contracts and during the hearing of 4 March 2014 the case was referred to the commissioners to prepare their report. OCL is waiting for the commissioners report.

For the Suez case a reliable outcome of the financial impact cannot be estimated.

Administrative court against Egyptian Gypsum Company S.A.E

A lawsuit was filed before the Administrative Court against Egyptian Gypsum Company S.A.E. which operates in the field of gypsum manufacturing, to nullify the sale contract of the company on the grounds that it is one of the companies sold under the privatization scheme. Currently, the report of the commissioners is being prepared. The hearing initially scheduled for 20 April 2015 was postponed until the commissioners submit their report to the court. If the final award is against the company, the ownership of the plant will be transferred to its original owner and the company will get the sales price back. The company's management, supported by its legal expert, believes it is likely that the award will be issued in favor of Egyptian Gypsum Company.

Court against former owner of Weitz

The previous owner of The Weitz Company ('Weitz') filed a variety of claims against Weitz arising out of alleged breaches of the Separation Agreement and Buy-Sell Agreements executed upon his departure from Weitz. He also filed a claim for tortious interference with contract against Orascom Construction Industries S.A.E., arising out of the same alleged breaches of the Separation Agreement and Buy-Sell Agreements. Weitz filed a motion for summary judgment on the ground that the proper purchase price had been paid for his stock pursuant to the Separation Agreement and Buy-Sell Agreements.

On 6 February 2015, the court dismissed all claims filed by the previous owner against both Weitz and Orascom Construction Industries S.A.E.

On 11 February 2015, the previous owner filed a notice of appeal to the Supreme Court of Iowa from the final order entered following the trial and from all adverse rulings and orders against the previous owner and in favor of the Weitz defendants. The alleged legal and factual basis for the appeal have not yet been set out by the claimant. Currently, the Company's management cannot make a reliable estimate of the outcome of the appeal and in accordance with IAS 37 has disclosed the litigation as a contingent liability.

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 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 is 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 Qatar Foundation for Education, Science & Community Development ("the Foundation). In relation to this termination, the Foundation claims damages for material amounts from the associates. The claim and asserted damages have not yet been substantiated by the Foundation. At this stage, the Company believes there is no merit to the claim and intends to vigorously oppose the claim. The Company issued a counter claim for asserted damages and claimable costs. The matter has been referred to the UK court of arbitration. Although the Company and their lawyers expect a favorable outcome, there is, given the fact that the arbitration is in its initial phase, uncertainty associated with these matters. OCL management considered the views of their external lawyer who stated that even if the associate would be successful in arbitration, enforcing rights against the Foundation will be a time consuming and complex process. At 31 March 2015, OCL has valued its interest in the associate at nil and recorded a USD 20 million liability for expected costs including legal fees. No change to these amounts occurred compared to 1 January 2015.

Contingent assets

Arbitration against the Golden Pyramids Plaza

Orascom Construction Industries S.A.E. and Consolidated Contractors International Co. SAL filed an arbitration claim against Golden Pyramids Plaza regarding the performance of its obligations relating to the City Stars Project. The claim related to the value of additional work performed, extension of time for all delays, return of the improperly liquidated bonds and payment for outstanding re-measurement items.

On 17 December 2014, the Court dismissed all objections to jurisdiction and admissibility of claims against Golden Pyramids Plaza. Orascom Construction Industries S.A.E. and Consolidated Contractors International Co. SAL were awarded compensation for damages resulting from the delayed and disrupted completion of the work and the cost of the arbitration. The total award, of which Orascom Constructions Industries S.A.E.'s share is 50%, amounts to approximately USD 80.0 million at the prevailing exchange rate on the date of the award.

Following the guidance under IAS 37, OCL's management assessed the award as not being "virtually certain" at 31 March 2015. Consequently, the award is disclosed as a contingent asset in the Group's consolidated financial statements.

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 March 2015
Less than one year	0.6
Between one and five years	0.3
More than five years	-
Total	**0.9**

(ii) Amount recognized in profit or loss

$ millions	31 March 2015
Rent	2.1
Vehicles	0.1
Machinery and equipment	3.6
Total	**5.8**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Related party transactions

The following is a list of significant related party transactions and outstanding amounts as at 31 March 2015:

Related party	Relation	Revenue transactions during the period	AR outstanding at period end	Purchases transactions during the period	AP outstanding at period end
Alico Egypt	Equity accounted investee	-	29.7	-	0.2
Medrail	Equity accounted investee	-	10.2	-	-
OCI Beaumont	Related via Key Management personnel	2.8	11.2	-	-
Iowa fertilizer Company	Related via Key Management personnel	227.5	-	-	10.9
Natgasoline	Related via Key Management personnel	8.1	19.9	-	-
Orasqualia for the Development of the Wastewater Treatment Plant	Equity accounted investee	-	0.9	-	-
Orasqualia for Construction	Equity accounted investee	-	2.1	-	-
OCI N.V.	Related via Key Management personnel	-	-	-	6.1
Other		-	7.3	-	4.9
Total		**238.4**	**81.3**	**-**	**22.1**

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.

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 three month period ended 31 March 2015, 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'. Senior Management consists of the following functions: CFO, Corporate Treasurer, General Counsel, Group Controller, HR Director, IT Director and the CEO's of the most important companies.

The total remuneration of the key-management personnel amounts for the three month period ended 31 March 2015 to an amount of USD 2.5 million.

30. List of principal subsidiaries, associates and joint ventures

Companies	Country	Percentage of interest	Consolidation method
Cementech	BVI	100.00	Full
Orascom Construction Industries Algeria Spa	Algeria	99.90	Full
BESIX Group SA	Belgium	50.00	Equity
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
Alico Egypt	Egypt	50.00	Equity
Suez Industrial Development Company	Egypt	60.50	Full
Orascom Saudi Company	Kingdom of Saudi Arabia	60.00	Full
Contrack International Inc	USA	100.00	Full
Orascom E&C USA Inc	USA	100.00	Full
The Weitz Group LLC	USA	100.00	Full

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

Dubai, UAE, 28 May 2015

The Orascom Construction Limited Board of Directors,

Nassef Sawiris, Chairman

Osama Bishai, Chief Executive Officer

Arif Naqvi

Salman Butt

Sami Haddad

Khaled Bichera

Azmi Mikati