

ORASCOM CONSTRUCTION PLC

Consolidated Financial Statements

For the year ended 31 December 2023

TABLE OF CONTENTS

Independent auditors' report.	1-8
Consolidated statement of financial position	9
Consolidated statement of profit or loss and other comprehensive income	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13 - 50



KPMG LLP
Unit No. 819, Liberty House
DIFC, P.O. Box 3800
Dubai, United Arab Emirates
Tel. +971 (4) 4030300, www.kpmg.com/ae

Independent auditors' report

To the Shareholders of Orascom Construction PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Orascom Construction PLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

1 Accounting for construction contracts

Refer to notes 13 and 26 of the consolidated financial statements

Key audit matter

The Group recognises revenue and profit based on the progress of the construction contracts which is assessed with reference to the proportion of contract costs incurred for the work performed as at the reporting date, relative to the estimated total costs of the contract at completion. The recognition of revenue and profit relies on estimates made by management in relation to the final out-turn of revenue and costs on each contract. Any changes to these estimates could give rise to material variances in the amount of revenue and profit/loss recognised in a given financial period.

The final out-turn of a construction contract may be affected by subsequent variations from the initially agreed scope of work and claims arising under the contract. The amounts to be included in the estimated revenue depends on the Group's estimate of the amount which is highly probable and that significant subsequent reversal will not occur when the uncertainty associated with these variations are resolved. In addition, the estimated total costs of a contract may also include various cost contingencies or disputed claims, which are specific to the respective contracts.

There is a high degree of subjectivity and significant management judgment associated with estimating the amount of revenue to be recognised by the Group based on the final out-turn on contracts; assessing the contingencies; and recognising variations and claims. Accordingly, revenue recognition from construction contracts is considered a key audit matter.

How our audit addressed the key audit matter

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

We also obtained the detailed project status reports ("the reports") and assessed, where necessary, the judgments underlying those reports with the audit evidence obtained including discussion with the Group's senior operational, commercial and financial management. In this area, our audit procedures included:

- identifying and testing key controls over the revenue recognition process over construction contracts;
- assessing the accounting policies adopted by the Group and its compliance with IFRS as well as assessing that these policies had been applied to individual contracts with customers appropriately;



Key Audit Matters (continued)

1 Accounting for construction contracts (continued)

How our audit addressed the key audit matter (continued)

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

2 Expected credit loss allowances on receivables

Refer to note 9 of the consolidated financial statements

Key audit matter

The Group is exposed to credit risk on its receivable balances including contract receivables, contract assets, and retention receivables. The determination of expected credit loss ("ECL") involves significant estimates and judgement. Key areas involving judgements include current and future looking external factors, probability of default and loss given default.

Key Audit Matters (continued)

2 Expected credit loss allowances on receivables (continued)

Key Audit Matters (continued)

Due to significant judgements and complexities involved in the computation of ECL for determining impairment provision, this is considered as a key audit matter.

How our audit addressed the key audit matter

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

3 Litigation and claims

Refer to note 28 of the consolidated financial statements

Key audit matter

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

How our audit addressed the key audit matter

Our audit procedures included the following:

- evaluating the Group's policies, procedures and controls in relation to litigation, claims and provision assessments;
- obtaining inputs from the Group's in-house legal counsel with regards to the Group's litigations and claims, making independent enquiries and obtaining confirmations from external lawyers to understand the background of each case, legal position and the material risks that may impact the Group's consolidated financial statements;

Key Audit Matters (continued)

3 Litigation and claims (continued)

How our audit addressed the key audit matter (continued)

- assessing reasonableness of judgment made by management in assessing and measuring the final outcome of the claim; and
- determining the adequacy of the level of provisioning or disclosure in the Group's consolidated financial statements in accordance with IAS 37.

4 Accounting for tax

Refer to note 11 of the consolidated financial statements

Key audit matter

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

How our audit addressed the key audit matter

Our approach included:

- identifying and testing key controls over calculation for current income tax and deferred tax;
- involving our tax specialists to assess the Group's tax positions including deferred tax assets, its compliance with the relevant tax legislations, to analyse and challenge the assumptions used by management in determining the tax provisions;
- for the purpose of assessing the valuation of deferred tax assets recognised in the Group's statement of financial position, we have reviewed and assessed the reasonableness of the calculation used in projecting the Group's future taxable profits, the availability of tax losses in the respective jurisdictions and the expected tax planning strategies; and
- considering the adequacy of the Group's tax disclosures in the consolidated financial statements and its compliance with IFRS.

Other Information

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

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

Other Information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with the applicable provisions of the Markets Law 2012 (as amended) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on Other Legal and Regulatory Requirements

We further report that the consolidated financial statements have been properly prepared in accordance with the applicable provisions of the Markets Law 2012 (as amended).

KPMG LLP

KPMG LLP

Mohamed Altatawi

DFSA Reference No: I009750

Dubai, United Arab Emirates

Date: 20 March 2024



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

\$ millions	Note	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	(7)	126.4	146.5
Goodwill	(8)	27.7	27.7
Trade and other receivables	(9)	22.1	24.6
Equity accounted investees	(10)	464.7	462.5
Deferred tax assets	(11)	60.4	47.4
Total non-current assets		701.3	708.7
Current assets			
Inventories	(12)	248.8	247.6
Trade and other receivables	(9)	1,281.1	1,294.0
Contracts work in progress	(13)	737.8	742.5
Current income tax receivables		0.4	0.9
Cash and cash equivalents	(14)	696.6	537.7
Total current assets		2,964.7	2,822.7
Total assets		3,666.0	3,531.4
Equity			
Share capital	(15)	110.2	116.8
Share premium		467.3	480.2
Reserves	(16)	(421.7)	(377.5)
Retained earnings		533.3	432.2
Equity attributable to owners of the Company		689.1	651.7
Non-controlling interest	(18)	22.3	39.6
Total equity		711.4	691.3
Liabilities			
Non-current liabilities			
Loans and borrowings	(19)	0.7	-
Trade and other payables	(20)	43.8	41.9
Deferred tax liabilities		2.3	5.0
Total non-current liabilities		46.8	46.9
Current liabilities			
Loans and borrowings	(19)	249.1	212.0
Trade and other payables	(20)	1,391.8	1,438.4
Advanced payments from construction contracts		841.6	777.0
Billing in excess of construction contracts	(13)	345.4	298.4
Provisions	(21)	41.0	31.5
Income tax payables		38.9	35.9
Total current liabilities		2,907.8	2,793.2
Total liabilities		2,954.6	2,840.1
Total equity and liabilities		3,666.0	3,531.4

The notes on pages 18 to 30 are an integral part of these consolidated financial statements.

This consolidated financial statements were approved by the Board of Directors and authorized for issue on 20 March 2024 and signed on their behalf by



Director



Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended

\$ millions	Note	31 December 2023	31 December 2022
Revenue	(26)	3,367.5	4,177.3
Cost of sales	(22)	(3,099.7)	(3,830.4)
Gross profit		267.8	346.9
Other income	(23)	130.0	5.1
Selling, general and administrative expenses	(22)	(195.6)	(197.3)
Operating profit		202.2	154.7
Finance income	(24)	58.7	76.9
Finance cost	(24)	(53.2)	(94.9)
Net finance income / (cost)		5.5	(18.0)
Income from equity accounted investees	(10)	20.7	35.2
Profit before income tax		228.4	171.9
Income tax	(11)	(33.3)	(37.6)
Net profit for the year		195.1	134.3
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences		(51.3)	(91.2)
Other comprehensive loss , net of tax for the year		(51.3)	(91.2)
Total comprehensive income for the year		143.8	43.1
Net profit attributable to:			
Owners of the Company		158.6	113.5
Non-controlling interest	(18)	36.5	20.8
Net profit for the year		195.1	134.3
Total comprehensive income attributable to:			
Owners of the Company		114.4	41.4
Non-controlling interest	(18)	29.4	1.7
Total comprehensive income		143.8	43.1
Earnings per share (in USD)			
Basic and diluted earnings per share	(25)	1.40	0.97

The notes on pages 13 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

\$ millions	Share Capital	Share Premium	Reserves	Retained earnings	Treasury Shares	Equity attributable to owners of the Company	Non-controlling interest	Total Equity
Balance at 1 January 2022	116.8	480.2	(305.4)	346.9	-	638.5	50.1	688.6
Net profit for the year	-	-	-	113.5	-	113.5	20.8	134.3
Other comprehensive loss for the year	-	-	(72.1)	-	-	(72.1)	(19.1)	(91.2)
Total comprehensive income for the year	-	-	(72.1)	113.5	-	41.4	1.7	43.1
Dividends (Refer to note 32)	-	-	-	(27.0)	-	(27.0)	(10.3)	(37.3)
Change in non-controlling interest	-	-	-	-	-	-	(1.9)	(1.9)
Other	-	-	-	(1.2)	-	(1.2)	-	(1.2)
Balance at 31 December 2022	116.8	480.2	(377.5)	432.2	-	651.7	39.6	691.3
Net profit for the year	-	-	-	158.6	-	158.6	36.5	195.1
Other comprehensive loss for the year	-	-	(44.2)	-	-	(44.2)	(7.1)	(51.3)
Total comprehensive income for the year	-	-	(44.2)	158.6	-	114.4	29.4	143.8
Dividends (Refer to note 32)	-	-	-	(51.9)	-	(51.9)	(35.3)	(87.2)
Treasury Shares acquired (Refer to note 17)	-	-	-	-	(19.5)	(19.5)	-	(19.5)
Share Capital reduction (Refer to note 15 and 17)	(6.6)	(12.9)	-	-	19.5	-	-	-
Subsidiary disposal	-	-	-	-	-	-	(11.4)	(11.4)
Other	-	-	-	(5.6)	-	(5.6)	-	(5.6)
Balance at 31 December 2023	110.2	467.3	(421.7)	533.3	-	689.1	22.3	711.4

The notes on pages 13 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

\$ millions	Note	31 December 2023	31 December 2022
Net profit for the year		195.1	134.3
Adjustments for:			
Depreciation and amortization	(7)	30.4	45.6
Interest income	(24)	(13.9)	(7.6)
Interest expense	(24)	51.4	40.3
Foreign exchange (gain)	(24)	(43.0)	(14.7)
Income from equity accounted investees	(10)	(20.7)	(35.2)
Gain from disposal of subsidiaries	(23)	(107.7)	-
Gain on sale of property, plant and equipment	(23)	(1.1)	(1.0)
Income tax expense	(11)	33.3	37.6
Changes in:			
Inventories	(12)	(49.9)	71.6
Trade and other receivables	(9)	(176.9)	206.7
Contract work in progress	(13)	(104.9)	357.0
Trade and other payables	(20)	183.6	27.7
Advanced payments from construction contracts		173.9	(584.4)
Billing in excess of construction contracts	(13)	78.0	(1.2)
Provisions	(21)	15.6	(32.2)
Cash flows:			
Interest paid	(24)	(51.4)	(40.3)
Interest received	(24)	13.9	7.6
Dividends from equity accounted investees		15.0	7.4
Income taxes paid		(9.1)	(25.3)
Cash flow from operating activities		211.6	193.9
Proceeds on sale of an investment in subsidiaries	(23)	116.7	-
Acquisition of property, plant and equipment	(7)	(34.3)	(49.3)
Acquisition of subsidiaries, net of cash acquired		-	(28.5)
Proceeds from sale of property, plant and equipment		2.5	2.8
Cash flow from (used in) investing activities		84.9	(75.0)
Proceeds from borrowings	(19)	108.4	287.0
Repayment of borrowings	(19)	(70.6)	(143.5)
Purchase of Treasury Shares	(17)	(19.5)	-
Dividends paid to shareholders	(32)	(51.9)	(54.0)
Dividends paid to non-controlling interest		(35.3)	(10.3)
Other		1.9	(9.9)
Cash flow (used in) from financing activities		(67.0)	69.3
Net change in cash and cash equivalents		229.5	188.2
Cash and cash equivalents at 1 January	(14)	537.7	505.7
Currency translation adjustments		(70.6)	(156.2)
Cash and cash equivalents at 31 December	(14)	696.6	537.7

The notes on pages 13 to 50 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

Orascom Construction PLC ('OC PLC') is a Public Company, incorporated with registered number 1752 in the Dubai International Financial Center (DIFC) with its head office located at Gate Village-Building 1, DIFC, Dubai, UAE. OC PLC is dual listed on the NASDAQ Dubai and the Egyptian Stock Exchange. The consolidated financial statements for the year ended 31 December 2023 comprise the financial statements of OC PLC, its subsidiaries and joint operations (together referred to as the 'Group') and the Group's interests in associates and joint ventures.

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

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

2. Basis of preparation

2.1 General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and applicable provision of DIFC Law No. 5 of 2018 and markets law 2012 (as amended).

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

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

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

The consolidated financial statements have been authorised for issue by the Company's Board of Directors on 20 March 2024.

3. Summary of material accounting policies

Material accounting policy information

The Group has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

Management reviewed accounting policies and made updates to the information disclosed below material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

Global minimum top-up tax

The Group has adopted International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 Consolidation

Subsidiaries

Subsidiaries are all companies to which OC PLC is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. When OC PLC ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss including related cumulative translation adjustments accumulated in other comprehensive income. If it becomes an associate, the interest retained is subsequently valued in accordance with the equity method. The principal subsidiaries are listed in Note 31.

Transactions eliminated in the consolidated financial statements

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

3.2 Discontinued operations / assets held for sale

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

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

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. Gain / loss from disposal of subsidiaries are classified as an operating income.

3.3 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

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

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (P)(v)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign 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 and accumulated in the translation reserve, except to the extent that the translation differences is allocated to NCI. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.7 Financial instruments

I. Recognition and initial measurement

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

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

II. Classification and subsequent measurement

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

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

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

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

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

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

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

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

Financial assets – Business model assessment:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Subsequent measurement – financial assets

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

III. Derecognition

Financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial liabilities

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

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

IV. Offsetting

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

3.8 Cash and cash equivalents

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

3.9 Share capital

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

3.10 Property, plant and equipment

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

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

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. Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Borrowing costs

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

3.11 Goodwill

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

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

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

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

3.12 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of raw materials, spare parts and supplies cost are based on weighted average principle, 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.

3.13 Impairment of assets

Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

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

Loss allowances are measured on either of the following bases:

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Measurement of ECLs:

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

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

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.

3.14 Provisions

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

Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Restructuring

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

Onerous contract

A provision for contracts onerous loss is recognized if the Group expects that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. A provision for contracts onerous loss is measured at the present

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Legal

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

3.15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

Variable consideration

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

Significant financing component

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

Contract modification

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cost of obtainment and fulfillment

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

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

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

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

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

Revenue from sale of goods

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

Revenue from construction contracts

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

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

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

3.16 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.17 Finance income and cost

Finance income comprises:

- interest income on funds invested;
- gains on the disposal of 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 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Share based payments

The fair value of the amount payable to employees under Long-Term Incentive Plan (LTIP), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the target awards. Any changes in the liability are recognised in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

3.23 Subsequent events

The Group assesses whether events occurring between the balance sheet date and the date of issues of the Consolidated 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

New and amended standards issued and effective

The following revised new and amended standards have been adopted in the consolidated financial statement.

- IFRS 17 Insurance contracts.
- Disclosure of Accounting policies (Amendment to IAS 1 and IFRS Practice statement 2).
- Definition of Accounting Estimate (Amendments to IAS 8).
- Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12- effective 23 May 2023).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting standards issued but not yet effective

A number of new accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.

- Non - Current Liabilities with Covenants (Amendments to IAS 1) and Classification of Liabilities as Current or Non- Current (Amendment to IAS 1).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7).
- Lack of Exchangeability (Amendment to IAS 21).
- Sale or Contribution of Assets between an Investor and its associate or Joint Venture- Amendments to IFRS 10 and IAS 28.

5. Critical accounting judgement, estimates and assumptions

The preparation of the consolidated 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 consolidated financial statements are the following:

Intangible assets

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

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

Property, plant and equipment

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

Financial instruments (including trade receivables and contract assets)

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

Impairment of financial instruments (including trade receivables)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Net realizable value of Inventories

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

Recognition of 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.

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

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

With respect to legal cases, the Group has to estimate the outcome of the legal cases. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. The Group periodically reviews the status of these proceedings with both the internal and external legal counsels.

Revenue recognition on revenue contracts with client

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

Recognition of Income taxes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 expected 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 of financial instruments by category.

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

\$ millions	Note	31 December 2023	31 December 2022
Trade and other receivables (excluding prepayments and supplier advance payments)	(9)	1,040.2	1,164.9
Contract work in progress	(13)	737.8	742.5
Cash and cash equivalents (excluding cash on hand)	(14)	694.9	536.4
Total		2,472.9	2,443.8

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

\$ millions	31 December 2023	31 December 2022
Middle East and Africa	591.9	823.1
Asia and Oceania	84.9	95.5
Europe and United States	363.4	246.3
Total	1,040.2	1,164.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impairment losses

The following table provides the information above the exposure to credit risk and ECLs for trade receivables as at 31 December 2022:

At 31 December 2022 \$ millions	Weighted average loss rate	Gross	Loss allowance
Not due	- %	411.1	-
0 - 30 days	- %	60.7	-
31 - 90 days	- %	67.1	-
More than 90 days	7.9 %	156.5	(12.3)
Total		695.4	(12.3)

The following table provides the information above the exposure to credit risk and ECLs for trade receivables as at 31 December 2023:

At 31 December 2023 \$ millions	Weighted average loss rate	Gross	Loss allowance
Not due	- %	372.2	-
0 - 30 days	- %	35.2	-
31 - 90 days	- %	48.5	-
More than 90 days	7.4 %	156.5	(11.6)
Total		612.4	(11.6)

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 to mitigate any concentration of liquidity risk.

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

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

At 31 December 2022 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(19)	212.0	227.3	111.1	116.2	-
Trade and other payables (excluding lease obligation, other tax payable and deferred revenue)	(20)	1,449.1	1,449.1	1,422.0	-	27.1
Lease obligation	(20.1)	19.2	25.0	2.9	2.8	19.3
Total		1,680.3	1,701.4	1,536.0	119.0	46.4

At 31 December 2023 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(19)	249.8	268.0	130.6	136.7	0.7
Trade and other payables (excluding lease obligation, other tax payable and deferred revenue)	(20)	1,397.4	1,397.4	1,369.5	-	27.9
Lease obligation	(20.1)	20.7	25.5	3.0	2.4	20.1
Total		1,667.9	1,690.9	1,503.1	139.1	48.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

6.3 Market risk

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

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

Foreign exchange translation exposure

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

Exchange rates used by the Group in the consolidated financial statement are based on the providing exchange rates in the market at the time of transactions.

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

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

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

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

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

At 31 December 2022 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	98.1	(83.1)
Trade and other receivables	395.9	367.1
Trade and other payables	(23.9)	(896.0)
<hr/>		
At 31 December 2023 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	128.5	(134.2)
Trade and other receivables	14.6	565.6
Trade and other payables	(14.0)	(751.9)
<hr/>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant rates

The following significant exchange rates applied during the year ended 31 December 2023:

	Average 2023	Closing 31 December 2023	Opening 1 January 2023
Egyptian pound	0.0331	0.0324	0.0404
Saudi riyal	0.2665	0.2666	0.2661
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Euro	1.0823	1.1039	1.0705

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

As of 31 December 2023, if the functional currencies had changed 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, cash and cash equivalents, payables and loans and borrowings that would have resulted in a change of USD 15.2 million of the profit / loss of the year ended 31 December 2023 (31 December 2022: USD 48.4 million).

31 December 2022 \$ millions	Change in FX rate*	Effect on profit before tax	Effect on equity
EUR - USD	10%	47.0	47.0
EGP - USD	10%	1.4	(61.2)

31 December 2023 \$ millions	Change in FX rate*	Effect on profit before tax	Effect on equity
EUR - USD	10%	12.9	12.9
EGP - USD	10%	2.3	(32.0)

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

Interest rate risk

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

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

As of 31 December 2023, if the interest rate had strengthened/weakened by 10 percent with all other variables held constant, the interest cost that would have resulted in an increase/decrease of USD 5.1 million of the profit of the year ended 31 December 2023.

\$ millions	Change in interest rate	31 December 2023	31 December 2022
Effect on profit before tax	10% increase	(5.1)	(4.0)
	10% decrease	5.1	4.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Categories of financial instruments

\$ millions	Note	31 December 2023		31 December 2022	
		Financial assets / liabilities at amortized cost	Derivatives at fair value	Financial assets / liabilities at amortized cost	Derivatives at fair value
Assets					
Trade and other receivables (excluding prepayments and supplier advance payments)	(9)	1,040.2	-	1,164.9	-
Contracts work in progress	(13)	737.8	-	742.5	-
Cash and cash equivalents	(14)	696.6	-	537.7	-
Total		2,474.6	-	2,445.1	-
Liabilities					
Loans and borrowings	(19)	249.8	-	212.0	-
Trade and other payables (excluding lease obligation)	(20)	1,414.9	-	1,461.1	-
Billing in excess of construction contracts	(13)	345.4	-	298.4	-
Total		2,010.1	-	1,971.5	-

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, share premium, reserves, retained earnings and non-controlling interest of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group's net debt to equity ratio at the reporting date was as follows:

\$ millions	Note	31 December 2023	31 December 2022
Loans and borrowings	(19)	249.8	212.0
Less: cash and cash equivalents	(14)	(696.6)	(537.7)
Net debt / (Cash)		(446.8)	(325.7)
Total equity		711.4	691.3
Net debt to equity ratio		(0.63)	(0.47)

7. Property plant and equipment

\$ millions	Land	Buildings	Equipment	Fixtures, and fittings	Under construction	Total
Cost as of 1 January 2022	13.8	104.2	313.9	147.2	18.4	597.5
Additions during the year	-	18.3	27.6	13.4	4.8	64.1
Disposals	-	(2.9)	(6.7)	(3.2)	-	(12.8)
Transfers	0.1	3.6	2.2	0.1	(15.8)	(9.8)
Acquisition of subsidiaries	3.8	1.6	1.4	1.5	-	8.3
Effect of movement in exchange rates	(6.0)	(25.2)	(91.3)	(43.7)	(3.4)	(169.6)
Cost as of 31 December 2022	11.7	99.6	247.1	115.3	4.0	477.7
Accumulated Depreciation as of 1 January 2022	-	(46.1)	(231.1)	(121.1)	-	(398.3)
Depreciation	-	(8.0)	(25.1)	(12.5)	-	(45.6)
Disposals	-	1.9	6.3	2.8	-	11.0
Transfers	-	0.1	(0.3)	0.3	-	0.1
Acquisition of subsidiaries	-	(0.7)	(0.7)	(1.2)	-	(2.6)
Effect of movement in exchange rates	-	7.2	61.9	35.1	-	104.2
Accumulated depreciation as of 31 December 2022	-	(45.6)	(189.0)	(96.6)	-	(331.2)
As of 31 December 2022	11.7	54.0	58.1	18.7	4.0	146.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	Land	Buildings	Equipment	Fixtures, and fittings	Under construction	Total
Cost as of 1 January 2023	11.7	99.6	247.1	115.3	4.0	477.7
Additions during the year	-	4.1	23.0	8.3	5.3	40.7
Disposals	-	(0.2)	(5.2)	(1.4)	(0.7)	(7.5)
Transfers	-	3.9	(6.4)	(0.2)	(1.6)	(4.3)
Disposal of subsidiaries	-	(6.2)	(6.8)	(1.5)	(1.0)	(15.5)
Effect of movement in exchange rates	(2.1)	(12.0)	(33.6)	(19.8)	(0.5)	(68.0)
Cost as of 31 December 2023	9.6	89.2	218.1	100.7	5.5	423.1
Accumulated Depreciation as of 1 January 2023	-	(45.6)	(189.0)	(96.6)	-	(331.2)
Depreciation	-	(6.5)	(14.4)	(9.5)	-	(30.4)
Disposals	-	0.1	4.8	1.2	-	6.1
Transfers	-	(1.6)	4.9	1.0	-	4.3
Disposal of subsidiaries	-	2.2	4.1	1.2	-	7.5
Effect of movement in exchange rates	-	7.0	23.0	17.0	-	47.0
Accumulated depreciation as of 31 December 2023	-	(44.4)	(166.6)	(85.7)	-	(296.7)
As of 31 December 2023	9.6	44.8	51.5	15.0	5.5	126.4

'Property, plant and equipment' comprise owned and leased assets:

\$ millions	2023	2022
Owned assets	107.5	128.5
Right of use	18.9	18.0
At 31 December	126.4	146.5

The information about 'Right of use' for which assets of the Group is presented below:

\$ millions	Buildings	Equipment	Total
Cost as of 1 January 2022	20.3	7.5	27.8
Additions during the year	12.7	2.1	14.8
Remeasurements	(2.8)	(0.7)	(3.5)
Effect of Movement in exchange rates	(0.4)	(0.1)	(0.5)
Cost at 31 December 2022	29.8	8.8	38.6

Accumulated Depreciation as of 1 January 2022	(10.1)	(6.2)	(16.3)
Depreciation	(5.2)	(1.9)	(7.1)
Remeasurements	2.0	0.7	2.7
Effect of Movement in exchange rates	-	0.1	0.1
Accumulated depreciation at 31 December 2022	(13.3)	(7.3)	(20.6)
As of 31 December 2022	16.5	1.5	18.0

\$ millions	Buildings	Equipment	Total
Cost as of 1 January 2023	29.8	8.8	38.6
Additions during the year	4.0	2.4	6.4
Effect of Movement in exchange rates	(3.1)	(4.0)	(7.1)
Cost at 31 December 2023	30.7	7.2	37.9

Accumulated Depreciation as of 1 January 2023	(13.3)	(7.3)	(20.6)
Depreciation	(4.1)	(1.7)	(5.8)
Effect of Movement in exchange rates	3.4	4.0	7.4
Accumulated depreciation at 31 December 2023	(14.0)	(5.0)	(19.0)
As of 31 December 2023	16.7	2.2	18.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Goodwill

\$ millions	Goodwill
Cost	27.7
At 1 January 2023	27.7
At 31 December 2023	27.7

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

On 2 January 2022, the Group acquired 100% of the total shares "Orascom Trading Company, Orascom Free Zone, National Equipment Company", resulting in USD 13.9 million of goodwill.

Goodwill was tested for impairment in the 4th Quarter of 2023. No impairment was recorded in the year 2023. The impairment test is based on cash-flow projections of the five year plan. Key assumptions used in the projections are:

- i. Revenue growth: based on expected growth in 2024 as a result of development in backlog and expected general market growth in the USA and MENA.
- ii. Margin development: based on actual experience and management's longer-term projections.

The terminal value was calculated using a long-term average market growth rate of 2.1% and 8.93% for USA and MENA respectively. The estimated cash flows are discounted to their present value using a weighted average cost of capital of 8.7% and 27.5% for USA and MENA respectively. An increase or decrease of 100 basis points in the assumed WACC or the terminal growth rate would not have resulted in an impairment.

9. Trade and other receivables

\$ millions	31 December 2023	31 December 2022
Trade receivables (gross)	612.4	695.4
Allowance for trade receivables	(11.6)	(12.3)
Trade receivables (net)	600.8	683.1
Trade receivables due from related parties (Note 29)	10.9	19.0
Prepayments	16.0	11.5
Other tax receivable	46.2	70.1
Supplier & Subcontractor advanced payments	247.0	142.2
Other investments	9.1	5.6
Retentions	269.9	265.2
Other receivables	103.3	121.9
Total	1,303.2	1,318.6
Non-current	22.1	24.6
Current	1,281.1	1,294.0
Total	1,303.2	1,318.6

The carrying amount of 'Trade and other receivables' as at 31 December 2023 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

\$ millions	31 December 2023	31 December 2022
Neither past due nor impaired	372.2	411.1
Past due 1 - 30 days	35.2	60.7
Past due 31 - 90 days	48.5	67.1
Past due 91 - 360 days	83.4	94.9
More than 360 days	73.1	61.6
Total	612.4	695.4

Management believes that the unimpaired amounts that are past due by more than 30 days are collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk.

The movement in the allowance for impairment in respect of trade receivables during the year ended 31 December 2023 was as follows:

\$ millions	2023	2022
At 1 January	(12.3)	(10.6)
Provision formed	(5.0)	(3.9)
Provision no longer required	2.1	0.2
Disposal / (Acquisition) of subsidiaries	2.1	(1.6)
Exchange rate differences and other	1.5	3.6
At 31 December	(11.6)	(12.3)

10. Equity accounted investees

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

\$ millions	2023	2022
At 1 January	462.5	426.4
Share in results	20.7	35.2
Dividends	(14.8)	(9.2)
Effect of movement in exchange rates	(3.7)	10.1
At 31 December	464.7	462.5

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The below table summarizes the financial information of BESIX :

\$ millions	2023	2023	2022	2022
	100%	Group Share 50%	100%	Group Share 50%
Non-current asset	906.6	453.3	855.8	427.9
Current asset	2,843.0	1,421.5	2,779.6	1,389.8
Non-current liabilities	(672.4)	(336.2)	(774.0)	(387.0)
Current liabilities	(2,237.8)	(1,118.9)	(2,028.4)	(1,014.2)
Net assets at 31 December	839.4	419.7	833.0	416.5
Construction revenue	3,580.0	1,790.0	3,624.6	1,812.3
Construction cost	(3,557.6)	(1,778.8)	(3,584.8)	(1,792.4)
Net profit for the year ended 31 December	22.4	11.2	39.8	19.9

The Group has interests in a number of equity accounted investees, the following are the significant investments as of 31 December 2023:

Name	Parent	Country	Participation %	Net Assets
BESIX Group	OC IHC3 B.V.	Belgium	50.0	419.7
Medrail Ltd.	Orascom Construction Holding Cyprus	UAE	50.0	-
Ras Ghareb Wind Energy	Orascom Egypt Wind BV	Egypt	20.0	6.6
Clark, Weitz, and Clarkson	The Weitz Group	USA	30.0	8.1
National Pipe Company	OCI Construction Egypt Orascom Construction SAE	Egypt	40.0	13.4
Orasqualia, Orasqualia for Construction S.A.E. and Orasqualia for Maintenance	Orascom Construction SAE	Egypt	50.0	9.5

The following table summarizes the financial information of the equity accounted investees including BESIX, National Pipe Company, all of Weitz's associates:

\$ millions	2023	2023	2022	2022
	100%	Group Share	100%	Group Share
Non-current asset	1,230.8	528.2	1,213.5	507.7
Current asset	3,007.6	1,490.1	2,915.5	1,442.3
Non-current liabilities	(938.0)	(396.1)	(1,068.3)	(450.0)
Current liabilities	(2,341.1)	(1,157.5)	(2,104.9)	(1,037.5)
Net assets at 31 December	959.3	464.7	955.8	462.5
Income	3,720.5	1,838.2	3,839.4	1,857.2
Expense	(3,675.9)	(1,817.5)	(3,757.4)	(1,822.0)
Net profit for the year ended 31 December	44.6	20.7	82.0	35.2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 33.3 million (31 December 2022: USD 37.6 million) and can be summarized as follows:

\$ millions	31 December 2023	31 December 2022
Current tax	43.4	42.3
Deferred tax	(10.1)	(4.7)
Total income tax in profit or loss	33.3	37.6

11.2 Reconciliation of effective tax rate

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

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

\$ millions	31 December 2023	%	31 December 2022	%
Profit before income tax	228.4		171.9	
Tax calculated using tax rates in foreign jurisdictions	(48.0)	21.0	(49.5)	28.8
Utilization of deferred tax asset	(10.1)	4.4	(4.7)	2.7
Other	24.8	(10.8)	16.6	(9.7)
Total income tax in profit or loss	(33.3)	14.6	(37.6)	21.8

11.3 Deferred income tax assets and liabilities

Deferred tax assets of USD 60.4 million (2022: USD 47.4 million) relates to the carried forward tax losses from 2014 to 2019. The deferred tax assets recognized in the statement of financial position is expected to be utilized in the period 2024 - 2029.

Deferred tax assets have not been recognized in respect to the carried forward tax losses amounting to USD 765 million with a tax effect of USD 199 million. The deferred tax was not recognized since the Group assessed that it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. These tax losses will expire as follows:

\$ millions	2023	Expiry date	2022	Expiry date
Expire	689.7	2034-2038	689.7	2034-2038
Never expire	75.3	-	75.3	-

12. Inventories

\$ millions	31 December 2023	31 December 2022
Finished goods	22.9	20.0
Raw materials and consumables	211.2	209.6
Fuels and others	6.1	5.2
Others	8.6	12.8
Total	248.8	247.6

As at 31 December 2023, the total write-downs amount to USD 3.4 million (31 December 2022: USD 9.9 million), of which USD 2.2 million related to raw materials & USD 1.2 million related to finished goods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

\$ millions	31 December 2023	31 December 2022
Costs incurred on contracts (including estimated earnings)	23,319.7	23,775.1
Less: billings to date (Net)	(22,927.3)	(23,331.0)
Total	392.4	444.1

Presented in the consolidated statements of financial position as follows:

Construction work in progress - current assets	737.8	742.5
Billing in excess of construction contracts - current liabilities	(345.4)	(298.4)
Total	392.4	444.1

Contract balances

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. Contract liabilities relate to the billings in excess of revenue and the advances from customers. Advances from customers pertain to the advance consideration received from customers for the services for which revenue is recognised on performance obligation. The contract assets becomes trade receivables when the rights become unconditional.

The following table provides information about contract assets and contract liabilities from contracts with customers:

\$ millions	31 December 2023	31 December 2022
Contract assets (contract work-in-progress)	737.8	742.5
Contract liabilities (billings in excess of revenue)	(345.4)	(298.4)
Contract liabilities (advances from customers)	(841.6)	(777.0)

14. Cash and cash equivalents

\$ millions	31 December 2023	31 December 2022
Cash on hand	1.7	1.3
Bank balances	690.3	510.3
Restricted funds	2.0	1.7
Restricted cash	2.6	24.4
Total	696.6	537.7

Restricted funds

The restricted amounts mostly relate to letters of guarantee for United Holding Company (USD 0.5 million), Orascom Trading Company (USD 0.7 million) and Orascom Free Zone Company (USD 0.3 million).

Restricted cash

Restricted cash relates to amounts withheld in relation to amounts restricted for use for an amount of USD 2.6 million as collateral against certain loans and trade finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Share capital

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

	31 December 2023	31 December 2022
At 1 January	116,761,379	116,761,379
Share capital reduction (Note 17)	(6,517,444)	-
At 31 December - Fully paid	110,243,935	116,761,379
At 31 December (in millions of USD)	110.2	116.8

16. Reserves

\$ millions	31 December 2023	31 December 2022
At 1 January	(377.5)	(305.4)
Currency translation differences	(44.2)	(72.1)
At 31 December	(421.7)	(377.5)

17. Treasury Shares

Based on the decision made in the Annual General Meeting (AGM), held on 31 May 2023, the Company has purchased 6,517,444 of its own shares at a price of USD 3.00 per share, and subsequently, the treasury shares were cancelled through the reduction of both share capital and share premium.

18. Non-controlling interest

31 December 2022 \$ million	United Holding Company - Egypt	Orascom Saudi - KSA	Orascom Industrial Parks - Egypt	Other Individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%		
Non-current assets	4.2	-	10.3	3.2	17.7
Current assets	39.5	98.1	15.2	4.2	157.0
Non-current liabilities	-	(0.4)	(5.6)	(0.1)	(6.1)
Current liabilities	(20.6)	(96.7)	(7.7)	(4.0)	(129.0)
Net assets	23.1	1.0	12.2	3.3	39.6
Revenue	50.5	2.6	12.9	7.8	73.8
Profit	14.2	(1.8)	5.9	2.5	20.8
Other comprehensive loss	(12.3)	-	(5.9)	(0.9)	(19.1)
Total comprehensive income	1.9	(1.8)	-	1.6	1.7

31 December 2023 \$ million	United Holding Company - Egypt	Orascom Saudi - KSA	Orascom Industrial Parks - Egypt	Other Individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%		
Non-current assets	0.1	-	7.9	4.8	12.8
Current assets	21.9	96.5	11.9	1.8	132.1
Non-current liabilities	-	(0.4)	(3.9)	-	(4.3)
Current liabilities	(16.0)	(95.0)	(5.4)	(1.9)	(118.3)
Net assets	6.0	1.1	10.5	4.7	22.3
Revenue	14.3	1.3	6.5	2.9	25.0
Profit	31.6	0.1	1.6	3.2	36.5
Other comprehensive loss	(4.4)	-	(2.4)	(0.3)	(7.1)
Total comprehensive income	27.2	0.1	(0.8)	2.9	29.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Loans and borrowings

Borrowing Company \$ million	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction SAE	Multiple rates	Annual	-	-	174.5	174.5
The Weitz Group, LLC	Multiple rates	Multiple	-	1.2	-	1.2
Contrack Watts	Multiple rates	Multiple	-	15.0	-	15.0
Other	Multiple rates	-	-	2.0	19.3	21.3
Total as of 31 December 2022			-	18.2	193.8	212.0

Borrowing Company \$ million	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction SAE	Multiple rates	Annual	-	-	202.0	202.0
The Weitz Group, LLC	Multiple rates	Multiple	0.7	12.1	-	12.8
Contrack Watts	Multiple rates	Multiple	-	10.0	-	10.0
Other	Multiple rates	-	-	-	25.0	25.0
Total as of 31 December 2023			0.7	22.1	227.0	249.8

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 as at the reporting date.

Movements of liabilities to cash flow arising from financing activities:

\$ million	Loans & Borrowings	Bank Overdraft	Treasury Shares	Retained Earnings	NCI	Total
Balance as at 1 January 2022	39.9	24.2	-	346.9	50.1	461.1
Proceeds from borrowings	117.4	169.6	-	-	-	287.0
Repayment of borrowings	(143.5)	-	-	-	-	(143.5)
Purchase of treasury shares	-	-	-	-	-	-
Dividends paid to shareholders	-	-	-	(54.0)	-	(54.0)
Dividends paid to non-controlling interest	-	-	-	-	(10.3)	(10.3)
Other	-	-	-	9.9	-	9.9
Total changes from financing cashflow	13.8	193.8	-	302.8	39.8	550.2
Liability-related other changes	4.4	-	-	-	-	4.4
Equity-related other changes	-	-	-	129.4	(0.2)	129.2
Balance as at 31 December 2022	18.2	193.8	-	432.2	39.6	683.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

\$ million	Loans & Borrowings	Bank Overdraft	Treasury Shares	Retained Earnings	NCI	Total
Balance as at 1 January 2023	18.2	193.8	-	432.2	39.6	683.8
Proceeds from borrowings	75.2	33.2	-	-	-	108.4
Repayment of borrowings	(70.6)	-	-	-	-	(70.6)
Purchase of treasury shares	-	-	(19.5)	-	-	(19.5)
Dividends paid to shareholders	-	-	-	(51.9)	-	(51.9)
Dividends paid to non-controlling interest	-	-	-	-	(35.3)	(35.3)
Other	-	-	-	1.9	-	1.9
Total changes from financing cashflow	22.8	227.0	(19.5)	382.2	4.3	616.8
Liability-related other changes	-	-	-	-	-	-
Equity-related other changes	-	-	19.5	151.1	18.0	188.6
Balance as at 31 December 2023	22.8	227.0	-	533.3	22.3	805.4

20. Trade and other payables

\$ millions	31 December 2023	31 December 2022
Trade payables	569.3	612.5
Trade payables due to related party (Note 29)	10.3	4.9
Other payables	182.8	212.1
Accrued expenses	455.0	448.3
Deferred revenues	6.9	5.0
Other tax payables	10.6	7.0
Lease obligation (Note 20.1)	20.7	19.2
Retentions payables	176.4	167.6
Employee benefit payables	3.6	3.7
Total	1,435.6	1,480.3
Non-current	43.8	41.9
Current	1,391.8	1,438.4
Total	1,435.6	1,480.3

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 as at the reporting date.

Retentions payable relate to amounts withheld from sub-contractors.

20.1 Lease obligations

\$ millions	Non-Current lease obligations	Current lease obligations	Total
At 1 January 2022	8.8	3.8	12.6
Movements in the carrying amount:			
Payments	-	(5.7)	(5.7)
Accretion of interest	-	0.9	0.9
Additions	9.6	1.8	11.4
Transfers	(3.6)	3.6	-
As of 31 December 2022	14.8	4.4	19.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	Non-Current lease obligations	Current lease obligations	Total
At 1 January 2023	14.8	4.4	19.2
Movements in the carrying amount:			
Payments	-	(5.7)	(5.7)
Accretion of interest	-	0.9	0.9
Additions	4.9	1.5	6.4
Transfers	(3.8)	3.8	-
Effect of movement in exchange rates	-	(0.1)	(0.1)
As of 31 December 2023	15.9	4.8	20.7

21. Provisions

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2022	7.7	5.9	45.5	59.1
Provision formed	0.1	4.3	8.3	12.7
Provision used	-	-	(5.6)	(5.6)
Provision no longer required	(2.7)	(4.9)	(23.4)	(31.0)
Acquisition of subsidiaries	-	-	3.5	3.5
Effect of movement in exchange rates	(1.8)	(1.4)	(6.6)	(9.8)
Others	-	-	2.6	2.6
At 31 December 2022	3.3	3.9	24.3	31.5

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2023	3.3	3.9	24.3	31.5
Provision formed	-	4.8	14.1	18.9
Provision used	-	-	(1.6)	(1.6)
Provision no longer required	(0.8)	(3.1)	(2.9)	(6.8)
Divestment	-	-	(1.3)	(1.3)
Effect of movement in exchange rates	(0.5)	(0.4)	(2.6)	(3.5)
Others	-	-	3.8	3.8
At 31 December 2023	2.0	5.2	33.8	41.0

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 28 for detailed information with respect to major ongoing litigations and claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

i. Expenses by nature

\$ millions	31 December 2023	31 December 2022
Changes in raw materials and consumables, finished goods and work in progress	2,696.8	3,274.5
Employee benefit expenses (ii)	467.9	578.5
Depreciation and amortization	30.4	45.6
Maintenance and repairs	30.2	42.0
Consultancy expenses	11.5	31.6
Donation expenses*	10.8	-
Other	47.7	55.5
Total	3,295.3	4,027.7

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

* Donation expense represents donation made to an Egyptian development fund based on Board approval and was paid in July 2023.

The breakdown for the fees paid or payable to KPMG member firms during the year as follows:

\$ millions	31 December 2023
Categories of services:	
Financial Statement Audits	1.0
Other services*	0.8
Total	1.8

*This primarily related to fees associated with the review of interim financial statement and corporate governance AUP.

ii. Employee benefit expenses

\$ millions	31 December 2023	31 December 2022
Wages and salaries	384.2	472.0
Social securities	1.6	1.8
Employee profit sharing	11.1	8.6
Pension cost	6.4	7.9
Other employee expenses	64.6	88.2
Total	467.9	578.5

During the year ended 31 December 2023, the average number of staff employed in the Group converted into full-time equivalents amounted to 21,482 permanent and 29,522 temporary employees.

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

Some of the Group's subsidiaries in the United States of America contribute to multi-employer defined benefit plans administered by unions that provide pension and post-retirement health and welfare benefits to employees, based on a defined dollar amount per hour. The Group has availed the exemption of IAS 19, para 34, to account for the contributions to these multiemployer defined benefit plans as defined contribution plans, as sufficient financial information is not publicly available with regards to these plans. The contribution to these plans for the financial year 2023 is USD 7.3 million and the expected contribution to these plans for the financial year 2024 is USD 7.5 million. The average contribution by Group's subsidiaries to multiemployer benefit plans is assessed to be less than 5% of the total contributions of the respective plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Other income

\$ millions	31 December 2023	31 December 2022
Capital gain*	107.7	-
Gain on sale of property, plant and equipment	1.1	1.0
Other income	21.2	4.1
Total	130.0	5.1

*During the year, the Group recognized a gain on the sale of subsidiaries amounting to USD 107.7 million. The sale relates to the subsidiaries that were classified as assets held for sale as of 31 March 2023, the total consideration received is USD 116.7 million.

The following table summarizes the financial information of the sold subsidiaries at the time of sale:

\$ millions	
Assets	
Property, plant and equipment	9.8
Inventories	8.9
Trade and other receivables	22.5
Cash and cash equivalent	12.1
Other assets	0.8
Total	54.1
Liabilities	
Loans and borrowings	1.7
Trade and other payables	25.1
Provisions	1.4
Other liabilities (including selling expenses)	16.9
Total	45.1

24. Net finance cost

\$ millions	31 December 2023	31 December 2022
Interest income on financial assets measured at amortized cost	13.9	7.6
Foreign exchange gain	44.8	69.3
Finance income	58.7	76.9
Interest expense on financial liabilities measured at amortized cost	(51.4)	(40.3)
Foreign exchange loss	(1.8)	(54.6)
Finance cost	(53.2)	(94.9)
Net finance income / (cost) recognized in profit or loss	5.5	(18.0)

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

\$ millions	31 December 2023	31 December 2022
Total interest income on financial assets	13.9	7.6
Total interest expense on financial liabilities	(51.4)	(40.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Earnings per share

	31 December 2023	31 December 2022
Net Profit attributable to shareholders (million USD)	158.6	113.5
Weighted average number of ordinary share (million)	113.1	116.8
Basic and diluted earnings per ordinary share (USD)	1.40	0.97

26. Revenue

\$ millions	31 December 2023	31 December 2022
Revenue from contracts with customers	3,367.5	4,177.3
Primary Geographical market		
MENA	1,809.7	2,812.9
USA	1,557.8	1,364.4
Total Revenue	3,367.5	4,177.3
Major products and service lines		
Construction revenue	3,219.3	3,960.7
Revenue from sale of goods	118.2	190.3
Revenue from sale of services	27.4	22.6
Others	2.6	3.7
Total Revenue	3,367.5	4,177.3
Timing of revenue recognition		
Products and services transferred overtime	3,219.3	3,960.7
Products and services transferred at a point in time	148.2	216.6
Total Revenue	3,367.5	4,177.3

27. Segment reporting

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

Business information for 31 December 2022

\$ millions	MENA	USA	Besix	Total
Total revenue	2,812.9	1,364.4	-	4,177.3
Share in income of equity accounted investees	10.8	4.5	19.9	35.2
Depreciation and amortization	(38.0)	(7.6)	-	(45.6)
Interest income	7.1	0.5	-	7.6
Interest expense	(38.4)	(1.9)	-	(40.3)
Profit before tax	130.9	21.1	19.9	171.9
Investment in PP&E (Including right of use asset)	48.7	15.4	-	64.1
Equity accounted investee	34.8	11.2	416.5	462.5
Non-current assets	192.9	99.3	416.5	708.7
Total assets	2,577.4	537.5	416.5	3,531.4
Total liabilities	2,392.9	447.2	-	2,840.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Business information for 31 December 2023

\$ millions	MENA	USA	Besix	Total
Total revenue	1,809.7	1,557.8	-	3,367.5
Share in income of equity accounted investees	8.9	0.6	11.2	20.7
Depreciation and amortization	(22.9)	(7.5)	-	(30.4)
Interest income	13.0	0.9	-	13.9
Interest expense	(51.1)	(0.3)	-	(51.4)
Profit before tax	183.8	33.4	11.2	228.4
Investment in PP&E (Including right of use asset)	30.5	10.2	-	40.7
Equity accounted investee	36.9	8.1	419.7	464.7
Non-current assets	172.0	109.6	419.7	701.3
Total assets	2,586.4	659.9	419.7	3,666.0
Total liabilities	2,390.0	564.6	-	2,954.6

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

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

The geographic information above 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	31 December 2023	31 December 2022
Egyptian Government	37.0%	50.2%

28. Contingencies

28.1 Contingent liabilities

28.1.1 Letters of guarantee / letters of credit

Letters of guarantee issued for the Group as at 31 December 2023 amount to USD 1,873.4 million (31 December 2022: USD 1,715.3 million). Outstanding letters of credit as at 31 December 2023 (uncovered portion) amount to USD 93.6 million (31 December 2022: USD 112.5 million).

Some of our sub-holdings have provided general performance guarantees for the execution of major projects by our subsidiaries.

As of 31 December 2023, mechanic liens have been received in respect of our US projects for a total of USD 5.0 million (31 December 2022: USD 5.2 million).

28.1.2 Litigations and claims

The Group entities and joint ventures, are engaged in various legal disputes, acting either as defendants or claimants. These cases are closely monitored by management and legal counsel, who evaluate them for potential impacts, taking into account possible insurance recoveries and third-party claims. Provisions for potential financial impacts from unfavorable outcomes are recognized in the consolidated financial statements in accordance with the requirements of IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets", specifically under note 21 'Provisions'. However, due to uncertainties such as potential new lawsuits, settlements, or court decisions, the Group cannot determine any additional financial loss with certainty. Despite this, based on legal consultations, the management believes these legal matters will not substantially affect the Group's financial position as of 31 December 2023, though they may significantly impact operational results or cash flows in specific periods.

Furthermore, the Group faces potential claims from customers and accordingly sets aside adequate provisions, with these reserves being periodically reviewed to account for any significant claims or litigation risks. Legal assessments suggest that these provisions are sufficient, and no significant additional cash outflows are anticipated beyond what has already been accounted for. In adherence to IAS 37 guidelines

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

on "Provisions, Contingent Liabilities, and Contingent Assets," the Group has chosen not to disclose full details of these legal disputes. This decision is driven by the belief that such disclosures could compromise the Group's position in ongoing and contested legal matters, prioritizing the protection of their legal strategy while managing litigation risks within the framework of IAS 37.

28.1.3 Sidra Medical Center

The contract for the design and build of the Sidra Medical and Research Centre in Doha, Qatar, was awarded by Qatar Foundation for Education, Science & Community Development (the "Foundation") in February 2008 to Obrascón Huarte Lain (55%) and Contrack Cyprus Limited (45%), hereinafter referred to as the "JV", for a total contract value of approximately USD 2.4 billion.

In July 2014, when the project was approx. 95% complete, the JV received a Notice of Termination from the Foundation. On or around the same date, the Foundation successfully liquidated the JV's performance bank and advance payment guarantees, receiving a total of QAR 880 million. On 23 July 2014, the Foundation commenced arbitration proceedings against Obrascón Huarte Lain and Contrack Cyprus Limited by serving a Request for Arbitration with the ICC (seat in London). Since 2014, several hearings and expert meetings took place and partial awards have been issued by the tribunal. An award is expected by the end of 2024 or Q1 2025.

In August 2017, the Foundation again served a Request for Arbitration, this time in parallel proceedings against OCI SAE with the ICC (seat in London). The claims made by the Foundation in this new arbitration arise in connection with a Parent Company Guarantee (the "PCG") issued by OCI SAE on 7 February 2008. The Foundation alleged that the terms of the PCG protect it in respect of liabilities and obligations of Contrack (Cyprus) Limited on the Project. This arbitration is on hold since March 2020 pending decision in the main arbitration in the paragraph above. If claims are awarded against Contrack (Cyprus) Limited in that arbitration, the Tribunal will have to consider its implications on OCI SAE in this arbitration.

28.1.4 King Abdul-Aziz Airport Development Project

Saudi Binladin Group ("SBG") entered into an EPC contract with the General Authority of Civil Aviation of the Kingdom of Saudi Arabia, for the King Abdul-Aziz Airport Development Project - Phase 1 (the "Project"). Orascom Saudi Limited ("OS"), a company which OCI Construction Limited (Cyprus) has a participation of 60%, entered into a series of five subcontracts (the "Subcontracts") with SBG to carry out works related to the project throughout 2011 to 2015. Under the Subcontractors, OS encountered several delays in the commencement, performance and completion of the works against the originally contemplated time schedule resulting in time and cost damages to OS.

On 25 June 2019, OS commenced arbitration proceedings by filing a Request for Arbitration before the ICC Court of Arbitration (seat in Cairo) claiming its entitlement to extensions of time and additional costs. On 8 September 2019, SBG filed its Answer to the Request for Arbitration, counterclaiming that OS was overpaid and seeking recovery of the amount. On 19 September 2019, the Arbitral Tribunal was constituted. In August 2020, OS submitted its Statement of Claim, followed by SGB filing its Statement of Defence and Counterclaim in May 2021. During the months of May through to December 2021, the Parties were engaged in a document production phase, together with the exchange or written submissions on the claims and counterclaims.

The arbitration is currently suspended, while the parties attempt to reach a mutual agreement.

28.1.5 USA Claims

In addition to the cases identified above, the Group is involved in other disputes of a lower value, namely in the United States, either as defendants or claimants. Provisions are considered in the Group's accounts when deemed appropriate, in accordance with the IAS standards.

29. Related party transactions and balances

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

Related party \$ millions	Relation	Revenue transactions during the year	Receivable outstanding at year end	Purchases transactions during the year	AP and advances outstanding at year end
Ras Ghareb Wind Energy	Equity accounted investee	-	4.5	-	-
Iowa fertilizer Company	Related via Key Management personnel	-	0.8	-	-
OCI SAE "fertilizer"	Related via Key Management personnel	-	5.4	-	-
Other		-	8.3	-	4.9
Total as at 31 December 2022		-	19.0	-	4.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Related party \$ millions	Relation	Revenue transactions during the year	Receivable outstanding at year end	Purchases transactions during the year	AP and advances outstanding at year end
Ras Ghareb Wind Energy	Equity accounted investee	-	3.6	-	-
Iowa fertilizer Company	Related via Key Management personnel	-	0.8	-	-
OCI SAE "fertilizer"	Related via Key Management personnel	-	2.5	0.1	0.1
Other		-	4.0	5.3	10.2
Total as at 31 December 2023		-	10.9	5.4	10.3

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.

29.1 Tax indemnity agreement

In 2013, as part of a settlement with the Egyptian Tax Authority (ETA) regarding the sale of its cement business to Lafarge SA in 2007, OCI S.A.E (OCI) agreed to pay EGP 7.1 billion over a five-year period. This settlement included an initial payment of EGP 2.5 billion by OCI.

In February 2014, the Egyptian Public Prosecutor exonerated OCI from the tax claim, a decision further supported by the ETA's Independent Appeals Committee in November 2014. Following these decisions, OCI requested the ETA to reimburse the first installment previously paid. However, the ETA appealed this decision.

In the midst of these legal proceedings, on 6 February 2015, OC PLC and OCI N.V. entered into a tax indemnity agreement related to the ongoing tax claim lodged by the ETA. This agreement outlined that any liabilities incurred from the tax claim, including associated costs, would be shared equally between the two parties.

Subsequently, the demerger from OCI N.V. was completed in March 2015, with OC PLC being listed on Nasdaq Dubai on 9 March and on the Egyptian Exchange on 11 March. This move established OC PLC and OCI N.V.

In the same month, OCI received EGP 1.9 billion from the Egyptian authorities, despite the ongoing dispute over the tax claim. In 2016, OCI made a second installment payment of EGP 900 million as part of the original agreement with the ETA.

In January 2023, a court judgment confirmed the decision by the ETA's Independent Appeals Committee in favor of OCI, rejecting the tax claim. This decision became irrevocable in May 2023, ensuring that the EGP 1.9 billion paid to OCI in 2015 could not be reclaimed by the ETA, and establishing OCI's claim for reimbursement of the EGP 900 million second installment.

Finally, in June 2023, an agreement was signed between the Group and OCI N.V., where the Company would receive a 50% share of the net reimbursed amount received by OCI, as well as a 50% share in the reimbursement claim against the ETA.

29.2 OCI Foundation and Sawiris Foundation

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

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

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

During the year ended 31 December 2023, we considered the members of the Board of Directors (Executive and Non-executive) and the senior management to be the key management personnel as defined in IAS 24 'Related parties'. The total remuneration of the key-management personnel for the year ended 31 December 2023 amount to approximately USD 22.6 million (2022: USD 19.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Key management personnel compensation comprise of the following:

\$ millions	31 December 2023	31 December 2022
Short-term employee benefits	14.2	14.5
Other long-term benefits	8.4	5.4
Total	22.6	19.9

31. List of principal subsidiaries and associates

Companies	Country	Percentage of interest	Consolidation method
Cementech Limited	BVI	100.00	Full
Orascom Construction Industries Algeria Spa	Algeria	99.90	Full
IMAGRO Construction SRL	Italy	49.90	Full
BESIX Group SA	Belgium	50.00	Equity
Integrated Facade Solutions (Alico)	Egypt	100.00	Full
OCI Construction Limited	Cyprus	100.00	Full
Orascom Construction	Egypt	100.00	Full
Orascom Road Construction	Egypt	99.98	Full
Orasqualia for the Development of the Wastewater Treatment Plant	Egypt	50.00	Equity
National Steel Fabrication	Egypt	99.90	Full
Orascom Industrial Parks (SIDC)	Egypt	60.50	Full
Orascom Saudi Company	Kingdom of Saudi Arabia	60.00	Full
Contrack Watts Inc	USA	100.00	Full
Orascom E&C USA	USA	100.00	Full
Orascom Construction USA Inc	USA	100.00	Full
Orascom Investments	Netherlands	100.00	Full
The Weitz Group LLC	USA	100.00	Full
Orascom For Wind Energy	Egypt	100.00	Full
Orascom Trading Company	Egypt	100.00	Full
Orascom Free Zone	Egypt	100.00	Full
National Equipment Company	Egypt	100.00	Full

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

32. Dividends

On 1 August 2022 the board of directors' has approved an interim dividend of USD 0.2313 per share amounting to USD 27.0 million which has been paid on 24 August 2022.

On 24 January 2023 the board of directors' has approved an interim dividend of USD 0.1850 per share amounting to USD 21.6 million which has been paid on 9 February 2023.

At the Extraordinary General Meeting held on 11 October 2023, the Board of Directors and shareholders approved a dividend of USD 0.2750 per share amounting to USD 30.3 million which had been paid on 31 October 2023.

33. Subsequent event

On 5 February 2024, the board of directors' has approved an interim dividend of USD 0.19 per share amounting to USD 20.9 million which has been paid on 22 February 2024.

On 6 March 2024, the Central Bank of Egypt decided to announce the application of the flexible exchange rate system for pricing foreign exchange based on the conditions of supply and demand. Based on that, the exchange rate of the US Dollar increased against the Egyptian Pound.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Applicable laws on taxation of corporations and businesses

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The CT Law is considered enacted for reporting purposes and the management has concluded that there is no deferred tax impact per reporting date.

The Group has not identified any material risks or uncertainties in the structure from a corporate perspective and will continuously monitor further developments that could impact the tax profile.

Dubai, UAE, 20 March 2024

The Orascom Construction PLC Board of Directors,

Jérôme Guiraud	Chairman
Osama Bishai	Chief Executive Officer
Sami Haddad	Member
Johan Beerlandt	Member
Wiktor Sliwinski	Member
Nada Shousha	Member
Renad Younes	Member

ORASCOM CONSTRUCTION PLC
(the **Company**)

Summary of the Board Resolutions

A meeting of the board of directors of the Company was held on 20 March 2024. After due and careful consideration, **IT WAS RESOLVED:**

- (a) that the financial statements of the Company for the period ended 31 December 2023 be approved.

Orascom Construction PLC
("the Company")

Separate financial statements
31 December 2023

Orascom Construction PLC (“the Company”)

Separate financial statements

31 December 2023

<i>Contents</i>	<i>Page</i>
Independent auditors’ report	1 - 4
Separate statement of profit or loss and other comprehensive income	5
Separate statement of financial position	6
Separate statement of cash flows	7
Separate statement of changes in equity	8
Notes to the separate financial statements	9 – 31



KPMG LLP
Unit No. 819, Liberty House
DIFC, P.O. Box 3800
Dubai, United Arab Emirates
Tel. +971 (4) 4030300, www.kpmg.com/ae

Independent auditors' report

To the Shareholders of Orascom Construction PLC

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Orascom Construction PLC ("the Company") which comprise the separate statement of financial position as at 31 December 2023, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2023, and its unconsolidated performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Dubai Financial Services Authority ("DFSA") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters (continued)

1 Impairment of investment in subsidiaries

Refer to note 8 of the separate financial statements

Key audit matter

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

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

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

Due to the significance of the carrying value of the investment in subsidiaries in the Company's financial statements and the inherent uncertainties associated with estimating future cash flows, the appropriate discount rates and growth rates, the impairment of investment in subsidiaries was concluded as a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We reviewed management's impairment analysis, including the assumptions and estimates used in developing the model. To test the accuracy of the model, we re-performed the calculations prepared by management;
- We assessed the accuracy of the management's forecasting and challenged the significant assumptions and critical areas of judgment;
- We involved our specialists in assessing and evaluating the appropriateness of the discount rate and terminal growth rate used by management in the impairment assessment;
- We assessed the management's approach in the identification of the cash generating unit ("CGU"), the allocation of assets to each CGU and the methodology adopted in the impairment assessment with reference to the requirements of the prevailing accounting standards;
- We performed sensitivity analysis on significant assumptions used in the model, including the discount rates and terminal growth rates; and
- We assessed the adequacy of the disclosures in the separate financial statements.



Other Matter

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2023 in accordance with IFRS on which we issued a separate auditors' report to the shareholders of the Group, dated 20 March 2024.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with the applicable provisions of the Markets Law 2012 (as amended) and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that the separate financial statements have been properly prepared in accordance with the applicable provisions of the Markets Law 2012 (as amended).

KPMG LLP

KPMG LLP



Mohamed Altatawi
DFSA Reference No: I009750
Dubai, United Arab Emirates
Date: 20 March 2024



Orascom Construction PLC

Separate statement of profit or loss and other comprehensive income

For the year ended 31 December

	<i>Note</i>	2023 USD	2022 USD
General and administrative expenses	5	(19,509,616)	(19,785,840)
Reversal of impairment loss on investment in a subsidiary	8	142,530,106	-
Gain on waiver of loans due to related parties and due to related party	11	43,844,116	-
Gain on waiver of interest from a related party loan	11	-	2,286,734
Reversal of / (provision for) impairment loss on loans and amount due from related parties, net	11(ii)	44,227,146	(14,318,309)
Finance income	6	13,942,074	40,074,115
Finance expenses	7	(6,392,434)	(15,049,480)
Income / (loss) for the year		218,641,392	(6,792,780)
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		218,641,392	(6,792,780)
Earnings per share (in USD)			
Basic earnings per share (consolidated)		1.40	0.97

The notes on pages 9 to 31 form an integral part of these separate financial statements.

The independent auditors' report is set out on pages 1 to 4.

Orascom Construction PLC

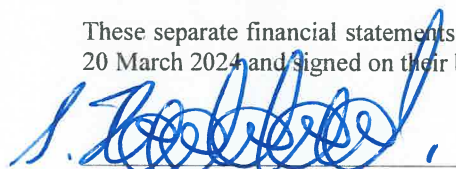
Separate statement of financial position

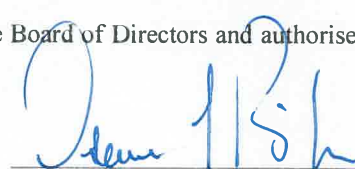
As at 31 December

	Note	2023 USD	2022 USD
Non-current asset			
Investment in subsidiaries	8	930,347,276	787,817,170
Loans due from related parties	11	2,812,011	-
		<u>933,159,287</u>	<u>787,817,170</u>
Current assets			
Prepayments and other receivables	9	363,424	298,889
Due from related parties	11	1,096,149	489,447
Cash and cash equivalents	10	1,502,023	10,949,035
		<u>2,961,596</u>	<u>11,737,371</u>
Total assets		<u><u>936,120,883</u></u>	<u><u>799,554,541</u></u>
Shareholder's equity			
Share capital	13	110,243,935	116,761,379
Share premium		469,990,308	483,025,196
Retained earnings		185,080,679	18,357,224
		<u>765,314,922</u>	<u>618,143,799</u>
Non-current liability			
Loans due to related parties	11	10,557,826	107,076,597
Current liabilities			
Accounts payable and accrued expenses	12	3,892,934	3,767,823
Due to related parties	11	156,355,201	70,566,322
		<u>160,248,135</u>	<u>74,334,145</u>
Total liabilities		<u>170,805,961</u>	<u>181,410,742</u>
Total liabilities and shareholder's equity		<u><u>936,120,883</u></u>	<u><u>799,554,541</u></u>

The notes on pages 9 to 31 form an integral part of these separate financial statements.

These separate financial statements were approved by the Board of Directors and authorised for issue on 20 March 2024 and signed on their behalf by:


Director


Director

The independent auditors' report is set out on pages 1 to 4.

Orascom Construction PLC

Separate statement of cash flows

For the year ended 31 December

	<i>Note</i>	2023 USD	2022 USD
Operating activities			
Income / (loss) for the year		218,641,392	(6,792,780)
<i>Adjustments for:</i>			
Reversal of impairment loss on investment in a subsidiary	8	(142,530,106)	-
Gain on waiver of loans due to related parties and due to related party	11	(43,844,116)	-
(Reversal of) / provision for impairment loss on loans and amounts due from related parties, net	11(ii)	(44,227,146)	14,318,309
Finance income	6	(13,942,074)	(40,074,115)
Finance expenses	7	6,392,434	15,049,480
Gain on waiver of interest from a related party loan	11	-	(2,286,734)
		(19,509,616)	(19,785,840)
Change in prepayments and other receivables		(66,943)	107,983
Change in due from related parties		(6,712,979)	(41,518,198)
Change in accounts payable and accrued expenses		125,111	(54,671)
Change in due to related parties		67,165,961	60,671,457
<i>Net cash generated from / (used in) operating activities</i>		41,001,534	(579,269)
Investing activities			
Additional loan given to a related party	11(iv)	(3,636,625)	(520,748)
Collections from related parties loan	11(iv)	5,522,462	16,335,935
Finance income received		105,990	71,889
<i>Net cash generated from investing activities</i>		1,991,827	15,887,076
Financing activities			
Proceeds from loans given by related parties	11(v)	19,005,962	70,590,630
Repayment of loans to related parties	11(v)	(48,115)	(23,228,915)
Finance expense paid		(43,775)	(62,994)
Purchase of treasury shares	15	(19,552,332)	-
Dividends paid	14	(51,917,937)	(54,013,814)
<i>Net cash used in financing activities</i>		(52,556,197)	(6,715,093)
Net change in cash and cash equivalents		(9,562,836)	8,592,714
Cash and cash equivalents at the beginning of the year	10	10,949,035	2,952,798
Effect of movements in exchange rates on cash held		115,824	(596,477)
Cash and cash equivalents at the end of the year		1,502,023	10,949,035

The notes on pages 9 to 31 form an integral part of these separate financial statements.

The independent auditors' report is set out on pages 1 to 4.

Orascom Construction PLC

Separate statement of changes in equity

For the year ended 31 December 2023

	Share capital USD	Share premium USD	Retained earnings USD	Treasury shares USD	Total USD
Balance at 1 January 2022	116,761,379	483,025,196	52,156,911	-	651,943,486
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	-	(6,792,780)	-	(6,792,780)
<i>Transactions with owners, recognised directly in equity</i>					
Dividends declared (refer note 14)	-	-	(27,006,907)	-	(27,006,907)
Balance at 31 December 2022	116,761,379	483,025,196	18,357,224	-	618,143,799
Balance at 1 January 2023	116,761,379	483,025,196	18,357,224	-	618,143,799
<i>Total comprehensive income for the year</i>					
Income for the year	-	-	218,641,392	-	218,641,392
<i>Transactions with owners, recognised directly in equity</i>					
Treasury shares acquired (refer note 15)	-	-	-	(19,552,332)	(19,552,332)
Shares reduction (refer note 13 and 15)	(6,517,444)	(13,034,888)	-	19,552,332	-
Dividends declared (refer note 14)	-	-	(51,917,937)	-	(51,917,937)
Balance at 31 December 2023	110,243,935	469,990,308	185,080,679	-	765,314,922

The notes on pages 9 to 31 form an integral part of these separate financial statements.

Orascom Construction PLC

Notes to the separate financial statements

(forming part of the separate financial statements)

1 Legal status and principal activities

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

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

The principal activity of the Company is holding investments.

The Company has 100 percent interest in Orascom Holding Cooperatief U.A. which is the parent company of other subsidiaries operating in the construction sector. In 2017, the Company acquired 100 percent interest in Orascom Holding Limited.

2 Basis of preparation

Statement of compliance

These separate financial statements have been prepared in accordance with the IFRS accounting standards and the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018.

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

Separate financial statements of the Company

The Company acts as a holding company for its subsidiaries. The Company and its subsidiaries are collectively referred to as “the Group”. These separate financial statements present the financial performance and position of the Company only and do not include the operating results and financial position of its subsidiaries. In these separate financial statements, the investments in subsidiaries are stated at cost less provision for impairment losses (refer accounting policy on impairment) in accordance with International Accounting Standard 27 *Consolidated and Separate Financial Statements*. In order to have a more comprehensive understanding of the results of operations, financial position, changes in equity and cash flows, the consolidated financial statements of the Group for the year ended 31 December 2023 issued separately on 20 March 2024 should be referred to.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

In preparing these separate financial statements management has made judgements, and estimates about the future, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Orascom Construction PLC

Notes (continued)

2 Basis of preparation (continued)

Use of estimates and judgments (continued)

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

In particular, information about significant areas of assumptions, estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the separate financial statements are discussed in note 19.

3 Material accounting policies

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 7 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed accounting policies and made updates to the information disclosed below material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial assets

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

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

Orascom Construction PLC

Notes (continued)

3 Material accounting policies (continued)

Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets (continued)

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

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

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

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

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

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

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

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

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

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

Orascom Construction PLC

Notes (continued)

3 Material accounting policies (continued)

Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

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

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

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

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

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

iii. Derecognition

Financial assets

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

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

Orascom Construction PLC

Notes *(continued)*

3 Material accounting policies *(continued)*

Financial instruments *(continued)*

iii. *Derecognition (continued)*

Financial liabilities

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

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

iv. *Offsetting*

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

Impairment

i. *Non-derivative financial assets*

Financial instruments

The Company recognises loss allowances for ECLs on due from related parties and cash at banks.

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

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for due from related parties are always measured at an amount equal to lifetime ECLs.

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

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

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

Orascom Construction PLC

Notes (continued)

3 Material accounting policies (continued)

Impairment (continued)

i. Non-derivative financial assets (continued)

Financial instruments (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Orascom Construction PLC

Notes *(continued)*

3 **Material accounting policies** *(continued)*

Impairment *(continued)*

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Investment in subsidiaries

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

Share premium and treasury shares

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

Retained earnings

The amount included in retained earnings includes accumulated profits and reduced by dividends, and also include transfers of share premium. Dividends are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Orascom Construction PLC

Notes (continued)

3 Material accounting policies (continued)

Finance income

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

Finance expense

Finance expense include realised loss on foreign currency exchange forward contract, interest expense on loans due to related parties, and bank charges. Interest expense is recognised as it accrues, using the effective interest rate method.

Cash and cash equivalents

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

Provisions

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

Foreign currencies

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

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

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

New and amended standards issued and effective

The following revised new and amended standards have been adopted in the separate financial statements.

- Disclosure of Accounting Policies – Amendment to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimate – Amendments to IAS 8

Orascom Construction PLC

Notes (continued)

3 Material accounting policies (continued)

New and amended standards issued and effective (continued)

The following revised new and amended standards are effective on 2023 but have not been adopted in the separate financial statements.

- IFRS 17 insurance contracts.
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12.
- International tax reform - pillar two model rules – Amendments to IAS 12.

Accounting standards issued but not yet effective

A number of new accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these separate financial statements.

- Non current liabilities with covenants – Amendments to IAS 1
- Classification of liabilities as current and non-current – Amendments to IAS 1
- Lack of exchangeability – Amendments to IAS 21

The following new and amended accounting standards are not expected to have a significant impact on the separate financial statements.

- Lease liability in a Sale and Leaseback – Amendment to IFRS 16
- Lack of exchangeability – Amendments to IAS 21
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- Sale or Contribution of Assets between an Investor and its associate or Joint Venture – Amendments to IFRS 10 and IAS 28

4 Financial risk management and capital management

Overview

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

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

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

Credit risk

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

Orascom Construction PLC

Notes (continued)

4 Financial risk management and capital management (continued)

Credit risk (continued)

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

Liquidity risk

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

Market risk

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

Currency risk

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

Interest rate risk

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

Capital management

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

Fair value

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

Orascom Construction PLC

Notes (continued)

5 General and administrative expenses

	2023 USD	2022 USD
Salaries and wages	14,172,235	14,530,634
Expenses recharged from a related party	1,729,749	2,016,638
Consultancy fees	1,713,956	1,244,932
Other expenses	1,893,676	1,993,636
	-----	-----
	<u>19,509,616</u>	<u>19,785,840</u>

The breakdown for the fees paid or payable to KPMG member firms during the year as follows:

	2023 USD
Categories of services:	
Financial Statement Audits	946,209
Other services*	858,539

Total	<u>1,804,748</u>

*This primarily related to fees associated with the review of interim financial statement and corporate governance AUP.

6 Finance income

	2023 USD	2022 USD
Foreign exchange gain – net	10,676,584	39,590,689
Interest on loans due from related parties (refer note 11)	3,159,500	411,537
Interest on bank balances	105,990	71,889
	-----	-----
	<u>13,942,074</u>	<u>40,074,115</u>

7 Finance expenses

	2023 USD	2022 USD
Interest on loans due to related parties (refer note 11)	6,348,659	14,986,486
Bank charges	43,775	31,194
Realised loss on foreign currency exchange forward contracts	-	31,800
	-----	-----
	<u>6,392,434</u>	<u>15,049,480</u>

Orascom Construction PLC

Notes (continued)

8 Investment in subsidiaries

	2023 USD	2022 USD
Orascom Holding Cooperatief U.A. (refer to note (i) below)	930,297,276	930,297,276
Orascom Holding Limited	50,000	50,000
	-----	-----
	930,347,276	930,347,276
Less: Provision for impairment	-	(142,530,106)
	-----	-----
	930,347,276	787,817,170
	=====	=====

The principal place of business and country of incorporation for Orascom Holding Cooperatief U.A. and Orascom Holding Limited is Netherlands and United Arab Emirates, respectively.

- (i) On 31 December 2023, the management assessed the recoverable amount of its investment in Orascom Holding Cooperatief U.A. (“OHC”). The impairment assessment was performed taking into consideration the downstream subsidiaries as a single Cash Generating Unit (“CGU”).

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

Segment	2023		2022	
	Post – tax discount rate	Terminal growth rates	Post– tax discount rate	Terminal growth rates
Middle and North Africa Region (MENA Region)	27.5%	8.9%	18.1%	2.3%
United States of America Region (USA Region)	8.7%	2.1%	6.3%	2.3%
BESIX	9.9%	2.1%	6.3%	2.3%

Based on the management’s assessment of the present value of the net cash flows of each segment, the provision for impairment amounting to USD 142,530,106 was reversed as at 31 December 2023 (2022: nil).

9 Prepayments and other receivables

	2023 USD	2022 USD
Prepayments	203,280	243,384
Refundable deposits	55,505	55,505
Other receivables	104,639	-
	-----	-----
	363,424	298,889
	=====	=====

10 Cash and cash equivalents

	2023 USD	2022 USD
Cash on hand	787	2,740
Cash at banks	1,501,236	10,946,295
	-----	-----
	1,502,023	10,949,035
	=====	=====

Orascom Construction PLC

Notes (continued)

11 Related party transactions and balances

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

	2023 USD	2022 USD
<i>Transactions with subsidiaries (direct and indirect)</i>		
Funds received from related party	67,099,534	46,995,058
Net impact of related party loan and balances assignment agreement excluding write-offs	102,011,407	-
Loans from a related party write-off	59,526,754	
Gain on waiver of loans and related party balances	43,844,116	-
Assignment and transfer of related party payables	28,713,487	-
Interest expense on loans due to related parties (refer note 7)	6,348,659	14,986,486
Funds transferred to related parties	4,492,860	-
Funds paid to related parties	3,405,118	-
Expenses paid on behalf of related parties	1,033,336	
Expenses incurred by related parties on behalf of the Company	3,862,250	4,640,197
Interest income on loans due from related parties (refer note 6)	3,159,500	411,537
Amount collected on behalf of a related party	412,379	9,678,190
Gain on waiver of interest from a related party loan	-	2,286,734
	=====	=====

(i) Key management remuneration

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

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

	2023 USD	2022 USD
Short-term employee benefits	14,172,235	14,530,634
	=====	=====

(ii) Impairment loss on loans and amounts due from related parties

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

	2023 USD	2022 USD
At 1 January	107,144,778	92,826,469
(Reversal) / provision for impairment during the year	(44,227,146)	14,318,309
Written off during the year (refer to note ii.a)	(59,526,754)	-
	-----	-----
At 31 December	3,390,878	107,144,778
	=====	=====

Orascom Construction PLC

Notes (continued)

11 Related party transactions and balances (continued)

(ii) Impairment loss on loans and amounts due from related parties (continued)

The net impairment loss on related party loans and balances presented in the statement of profit or loss and other comprehensive income includes the following:

	2023	2022
	USD	USD
Reversal of provision for loans due from Orascom Holding Limited (ii.a) below)	(44,733,629)	-
Provision for amount due from Orascom Holding Limited	4,801,789	29,336,762
Reversal of provision for loan due from OCI Saudi Arabia (refer to note (ii.b) below) (Reversal) / Provision for amount due from Orascom Holding Cooperatief U.A.	(4,000,000)	(5,001,056)
Provision for loan due from OCI Saudi Arabia	245,758	324,883
Provision for amount due from OCI Construction Limited	114,311	-
Reversal of provision for loans due from Orascom Holding Cooperatief U.A. (refer to note (ii.c) below)	-	(11,334,879)
Reversal of provision for amount due from Cementech Limited (ii.d) below)	-	(336,043)
Provision for loan due from Orascom Holding Cooperatief U.A.	-	607,402
Provision for amount due from Cementech Limited	-	65,865
	-----	-----
	(44,227,146)	14,318,309
	=====	=====

(ii.a) In the current year, based on a tri-party balance assignment agreement, intercompany balances between the Company's subsidiaries were netted-off and a gain on settlement of USD 44,733,629 million was recognized in the statement of profit or loss. Further, at 31 December 2023, the management written off the remaining loan balance due from Orascom Holding Limited amounting of USD 59,526,754 and accordingly, the corresponding allowance for impairment loss was written off as well.

(ii.b) During the current year, the Company received cash payment amounting to USD 4,000,000 (2022: USD 5,001,056) from OCI Saudi Arabia. Accordingly, management has reversed the provision up to the extent of the amount collected and recognised a gain in the statement of profit or loss.

(ii.c) In 2022, the Company received cash payment amounting to USD 11,334,879 from Orascom Holding Cooperatief U.A. Accordingly, management has reversed the provision up to the extent of the amount collected and recognised a gain in the statement of profit or loss.

(ii.d) In 2022, the Company received cash payment amounting to USD 336,043 from Cementech Limited. Accordingly, management has reversed the provision up to the extent of the amount collected and recognised a gain in the statement of profit or loss.

Orascom Construction PLC

Notes (continued)

11 Related party transactions and balances (continued)

	Relationship	Interest terms	Repayment terms	31 December 2023			31 December 2022		
				Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
				USD	USD	USD	USD	USD	USD
Loans due from related parties									
Orascom Holding Limited	Subsidiary	refer note (iii.a)	receivable on 30 June 2028	-	-	-	-	-	-
OCI Saudi Arabia	Subsidiary	refer note (iii.b)	receivable on 31 December 2025	-	3,276,567	3,276,567	-	7,030,807	7,030,807
Orascom Holding Cooperatief U.A.	Subsidiary	refer note (iii.c)	receivable on 31 December 2025	-	2,812,011	2,812,011	-	-	-
				-----	-----	-----	-----	-----	-----
Total loans due from related parties				-	6,088,578	6,088,578	-	7,030,807	7,030,807
Less: Provision for impairment				-	(3,276,567)	(3,276,567)	-	(7,030,807)	(7,030,807)
				-----	-----	-----	-----	-----	-----
				-	2,812,011	2,812,011	-	-	-
				=====	=====	=====	=====	=====	=====
Due from related parties									
Orascom Holding Cooperatief U.A.	Subsidiary	no interest	receivable on demand	614,932	-	614,932	655,375	-	655,375
Orascom Saudi	Subsidiary	no interest	receivable on demand	474,121	-	474,121	424,654	-	424,654
OCI Construction Limited	Subsidiary	no interest	receivable on demand	114,311	-	114,311	-	-	-
NSF Global Limited	Subsidiary	no interest	receivable on demand	7,096	-	7,096	-	-	-
Orascom Holding Limited	Subsidiary	no interest	receivable on demand	-	-	-	99,458,595	-	99,458,595
Orascom Construction SAE	Subsidiary	no interest	receivable on demand	-	-	-	59,670	-	59,670
OCI Saudi Arabia	Subsidiary	no interest	receivable on demand	-	-	-	5,124	-	5,124
				-----	-----	-----	-----	-----	-----
Total due from related parties				1,210,460	-	1,210,460	100,603,418	-	100,603,418
Less: Provision for impairment				(114,311)	-	(114,311)	(100,113,971)	-	(100,113,971)
				-----	-----	-----	-----	-----	-----
				1,096,149	-	1,096,149	489,447	-	489,447
				=====	=====	=====	=====	=====	=====

Orascom Construction PLC

Notes (continued)

11 Related party balances and transactions (continued)

	Relationship	Interest terms	Repayment terms	31 December 2023			31 December 2022		
				Current portion USD	Non-current portion USD	Total USD	Current portion USD	Non-current portion USD	Total USD
Loans due to related parties									
Orascom Construction SAE	Subsidiary	refer note (iii.d)	payable on 31 December 2027	-	10,557,826	10,557,826	-	73,937,006	73,937,006
OCI Construction Limited	Subsidiary	refer note (iii.e)	payable on 31 December 2025	-	-	-	-	29,213,958	29,213,958
NSF Global Limited	Subsidiary	refer note (iii.f)	payable on 31 December 2025	-	-	-	-	3,925,633	3,925,633
				-----	-----	-----	-----	-----	-----
				-	10,557,826	10,557,826	-	107,076,597	107,076,597
				=====	=====	=====	=====	=====	=====
Due to related parties									
OCI Construction International BV	Subsidiary	no interest	payable on demand	112,327,821	-	112,327,821	46,995,058	-	46,995,058
OC IHC 6 BV	Subsidiary	no interest	payable on demand	19,170,044	-	19,170,044	-	-	-
Contract Watts Inc.	Subsidiary	no interest	payable on demand	9,865,094	-	9,865,094	8,626,134	-	8,626,134
OC IHC 7 BV	Subsidiary	no interest	payable on demand	9,543,443	-	9,543,443	-	-	-
Orascom E&C	Subsidiary	no interest	payable on demand	3,991,896	-	3,991,896	2,909,748	-	2,909,748
Orascom Construction SAE	Subsidiary	no interest	payable on demand	646,466	-	646,466	-	-	-
The Weitz Company, LLC	Subsidiary	no interest	payable on demand	577,356	-	577,356	463,143	-	463,143
Cementech Limited	Subsidiary	no interest	payable on demand	233,081	-	233,081	1,894,049	-	1,894,049
Orascom Construction Industries SAE	Subsidiary	no interest	payable on demand	-	-	-	9,678,190	-	9,678,190
				-----	-----	-----	-----	-----	-----
				156,355,201	-	156,355,201	70,566,322	-	70,566,322
				=====	=====	=====	=====	=====	=====

Orascom Construction PLC

Notes (continued)

11 Related party transactions and balances (continued)

(iii) Interest terms

- (iii.a) The loan carries interest at 30-day average SOFR plus 4.49%
- (iii.b) The loan carries interest at 30-day average SOFR plus 1.40%
- (iii.c) The loan carries interest at 30-day average SOFR plus 3.25%
- (iii.d) The loan is denominated in Egyptian pounds which carries interest at Egyptian Central Bank Mid Corridor rate plus 1%.
- (iii.e) The loan is denominated in EURO and carried interest at one-month rate charged by one of the international banks in Cyprus plus 0.05%.
- (iii.f) The loan carried interest at one-month LIBOR rate plus 0.05%.

(iv) Reconciliation of movements of assets to cash flow arising from investing activities

Loans due from related parties	2023 USD	2022 USD
Balance as at 1 January	-	-
Additional loan given to related parties	(3,636,625)	(520,748)
Collections from related parties loan	5,522,462	16,335,935
Other asset related non cash changes	926,174	(15,815,187)
	-----	-----
Balance as at 31 December	<u>2,812,011</u>	-

(v) Reconciliation of movements of liabilities to cash flow arising from financing activities

Loans due to related parties	2023 USD	2022 USD
Balance as at 1 January	107,076,597	98,973,776
Proceeds from loans given by related parties	19,005,962	70,590,630
Repayment of loans to related parties	(48,115)	(23,228,915)
Other liability related non cash changes	(115,476,618)	(39,258,894)
	-----	-----
Balance as at 31 December	<u>10,557,826</u>	107,076,597

12 Accounts payable and accrued expenses

	2023 USD	2022 USD
Accounts payable	156,754	-
Accrued expenses	3,736,180	3,767,823
	-----	-----
	<u>3,892,934</u>	3,767,823

13 Share capital

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

	2023 USD	2022 USD
At January 1	116,761,379	116,761,379
Share capital reduction *	(6,517,444)	-
	-----	-----
	<u>110,243,935</u>	116,761,379

Orascom Construction PLC

Notes (continued)

13 Share capital (continued)

*Based on the decision made in the Annual General Meeting (AGM), held on 31 May 2023, the Company has purchased 6,517,444 of its own shares at a price of USD 3.00 per share, and subsequently, the treasury shares were cancelled through the reduction of both share capital and share premium.

14 Dividends

On 1 August 2022, the board of directors approved an interim dividend of USD 0.2313 per share amounting to USD 27,006,907 which had been paid on 24 August 2022.

On 24 January 2023, the board of directors approved an interim dividend of USD 0.1850 per share amounting to USD 21,600,855 which had been paid on 9 February 2023.

At the Extraordinary General Meeting held on 11 October 2023, the board of directors and shareholders approved a dividend of USD 0.2750 per share amounting to USD 30,317,082 which had been paid on 31 October 2023.

15 Treasury shares

Based on the decision made in the Annual General Meeting (AGM), held on 31 May 2023, the Company has purchased 6,517,444 of its own shares at a price of USD 3.00 per share, and subsequently, the treasury shares were cancelled through reduction of both share capital and share premium.

16 Financial instruments

The financial assets of the Company include cash at banks, loans due from related parties and amounts due from related parties. The financial liabilities of the Company include accounts payable and accrued expenses, loans due to related parties and amounts due to related parties. Accounting policies for financial assets and liabilities are set out in note 3.

Exposure to credit risk

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

	2023	2022
	USD	USD
Cash at banks	1,501,236	10,946,295
Due from related parties	1,096,149	489,447
Loans due from related parties	2,812,011	-
	-----	-----
	5,409,396	11,435,742
	=====	=====

Management believes that the amounts due from related parties amounting to USD 1,096,149 (2022: USD 489,447) and amount of loan due from related parties amounting to USD 2,812,011 (2022: nil) are fully recoverable and accordingly, no provision for impairment was made. The Company's cash is placed with banks of repute.

Orascom Construction PLC

Notes (continued)

16 Financial instruments (continued)

Liquidity risk

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

	Carrying amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
31 December 2023				
<i>Non-derivative financial liabilities</i>				
Loans due to related parties	10,557,826	23,958,484	-	23,958,484
Due to related parties	156,355,201	156,355,201	156,355,201	-
Accounts payable and accrued expenses	3,892,934	3,892,934	3,892,934	-
	-----	-----	-----	-----
	170,805,961	184,206,619	160,248,135	23,958,484
	=====	=====	=====	=====
	Carrying amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
31 December 2022				
<i>Non-derivative financial liabilities</i>				
Loans due to related parties	107,076,597	137,718,067	-	137,718,067
Due to related parties	70,566,322	70,566,322	70,566,322	-
Accounts payable and accrued expenses	3,767,823	3,767,823	3,767,823	-
	-----	-----	-----	-----
	181,410,742	212,052,212	74,334,145	137,718,067
	=====	=====	=====	=====

Interest rate risk

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

Variable rate instruments

	2023 USD	2022 USD
Financial assets	2,812,011	-
Financial liabilities	(10,557,826)	(107,076,597)
	-----	-----
	(7,745,815)	(107,076,597)
	=====	=====

Cash flow sensitivity analysis for variable rate instruments

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

	2023		2022	
	100 bp Increase USD	100 bp Decrease USD	100 bp Increase USD	100 bp Decrease USD
Variable rate instruments	(77,459)	77,459	(1,070,766)	1,070,766
	=====	=====	=====	=====

Orascom Construction PLC

Notes (continued)

16 Financial instruments (continued)

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR' reform').

IBOR reforms and expectation of cessation of LIBOR might impact the Company's current risk management strategy and possibly accounting for its financial liabilities. These financial instruments are referenced to LIBOR. The alternative reference for LIBOR is the Secured Overnight Financing Rate (SOFR).

Management successfully transitioned to alternative rates and there is no significant impact on the separate financial statements.

Currency risk

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

	Euro	Egyptian pound
31 December 2023		
Cash at banks	80,977	7,108,635
Due from related parties	103,554	-
Loans due to related parties	-	(326,362,460)
	-----	-----
	184,531	(319,253,825)
	=====	=====
31 December 2022	Euro	Egyptian pound
Cash at banks	168,731	6,197,690
Due from related parties	-	506,506,556
Loans due to related parties	(27,290,013)	(1,830,577,036)
	-----	-----
	(27,121,282)	(1,317,872,790)
	=====	=====

Sensitivity Analysis

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

	Average rate 2023	Spot rate 2023	Average rate 2022	Spot Rate 2022
1 Euro	1.0823	1.1039	1.0581	1.0705
1 Egyptian pound	0.0331	0.0324	0.0527	0.0404
	=====	=====	=====	=====

Orascom Construction PLC

Notes (continued)

16 Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2023	2022
	USD	USD
Euro	2,037	(290,333)
Egyptian pound	(103,279)	(532,289)
	-----	-----
	(101,242)	(822,622)
	=====	=====

17 Operating segments

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

18 Contingent liabilities and capital commitments

Contingent liabilities

	2023			2022		
	USD	SAR	Euro	USD	SAR	Euro
Guarantees	100,256,131	68,848,750	-	3,040,000	69,848,750	-
Letter of Credit	-	-	122,809	-	-	1,958,544
	-----	-----	-----	-----	-----	-----
	100,256,131	68,848,750	122,809	3,040,000	69,848,750	1,958,544
	=====	=====	=====	=====	=====	=====

19 Significant accounting estimates and judgements

The Company makes estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of investment in subsidiaries

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

Impairment losses on receivables

The Company’s credit risk is primarily attributable to its loan receivable from related parties and due from related parties. In determining impairment losses, the Company recognises loss allowance for expected credit losses on the financial asset that is measured at amortized cost or FVOCI, trade receivables and a contract asset.

Orascom Construction PLC

Notes (continued)

19 Significant accounting estimates and judgements (continued)

Impairment losses on receivables (continued)

At each reporting date, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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

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

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

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

20 Applicable laws on taxation of corporations and businesses

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 [and a rate of 0% on qualifying income of free zone entities].

No material deferred tax adjustments have been arisen in the preparation of the separate financial statements.

Orascom Construction PLC

Notes *(continued)*

21 Subsequent events

On 5 February 2024, the board of directors' has approved an interim dividend of USD 0.19 per share amounting to USD 20,946,348 which has been paid on 22 February 2024.

On 6 March 2024, the Central Bank of Egypt decided to announce the application of the flexible exchange rate system for pricing foreign exchange based on the conditions of supply and demand. Based on that, the exchange rate of the US Dollar increased against the Egyptian Pound.