EVOLVING WITH **THE ENERGY TRANSITION**

LAMPRELL PLC
ANNUAL REPORT AND ACCOUNTS 2019

We have over 40 years' experience delivering world-class projects across our core services in offshore and onshore renewables and oil & gas energy markets. We provide services and solutions that help our clients to produce energy safely, efficiently and cost-effectively.

Sustainable solutions for a brighter tomorrow

RENEWABLE ENERGY

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A PERFORMANCE-DRIVEN CULTURE

More on page >> 20

INVESTMENT IN TECHNOLOGY

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Contents

Highlights

- Modest year-on-year revenue growth
- Losses driven by lack of awards in depressed market, non-cash asset impairment and other one-off events
- Signed MOU with Injazat to collaborate on digital solutions
- TRIR of 0.19 consistent with global best practice
- Major new contract for two rigs signed in Q1 2020
- Measures taken after year-end to respond to COVID-19 threat

Revenue
(USD m)
260.4
2018: 234.1

EBITDA*
(USD m)
(64.6)
2018: (35.1)

Net (loss)/profit
(USD m)
(183.5)
2018: (70.7)

Loss per share, diluted
(US cents)
(53.71)
2018: (20.67)

Net cash*
(USD m)
42.5
2018: 80.0

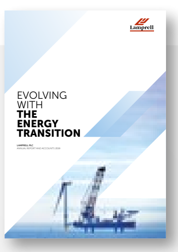
Safety TRIR
(Rate per 200,000 hours)
0.19
2018: 0.15

GHG emissions
(tonnes CO_2e gross)
14,993
2018: 21,335

* Throughout the Annual Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including total shareholder return, overheads, EBITDA, EBITDA margin and net cash are not defined under IFRS, and are termed 'APMs'. Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help evaluate the ongoing financial performance and position of the Group. We have defined and explained the purpose of each of these measures on pages >> 144 and 145 where we provide more detail, including reconciliations to the closest equivalent measure under IFRS. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APMs may not be comparable with similarly titled measures and disclosures by other companies.

Online shareholder information
To keep shareholders fully up to date, we have comprehensive financial and Company information on our website. Our shareholders can access all the information they require 24 hours a day.

www.lamprell.com



Cover image
Lamprell has built multi-purpose installation vessels which are being used in the renewables sector and has over 100 offshore windfarm jacket foundations in its portfolio today.

Acronyms
Acronyms are widely used in the energy industry and throughout this Annual Report. Please refer to the glossary >> 143 for more details on the acronyms used.

Chairman's introduction
United by our values

"In 2019, we saw progress in delivering our strategy in another challenging year for the business. With COVID-19 also contributing to our tight financial position, we are focussing heavily on preserving and improving liquidity to ensure the future of the business."

Operationally, last year the Moray East project progressed as planned, paving the way for further work in the renewables space. Financially however, the continuing lack of project awards, as well as the impact of a significant impairment of our assets and the close-out of the EA1 project, resulted in a disappointing set of financial results. As the world, and our industry in particular, now grapple with the combined effects of the COVID-19 crisis and global economic fall-out, our immediate goal is to improve liquidity for the Group, through conserving cash and arranging new financing (see the going concern statement >> 38 for more details) and to improve our backlog through delivery of our strategy and successful operational performance. Our business is learning and adapting to the new reality of the energy industry, expanding our capabilities and pivoting towards new opportunities.

However, progress with awards has been and continues to be slow in our end markets. In 2019 we invested in developing our capabilities and, having secured a major contract win in early 2020, we are targeting revenue growth. Creating value for our shareholders is a key priority as we look ahead. To achieve this in the context of our near-term workflow and the impact of COVID-19, in 1H 2020 we have taken significant steps to cut our overhead costs. These decisions are never easy as they often affect those who have made Lamprell what it is but, in order to ensure a long-term future for the Company and deliver value for all our stakeholders, the Board remains committed to acting firmly and fast. I would like to thank our employees for their efforts, dedication and commitment to our values as we tackle these issues head on.

Strategy	p16
Sustainability	p30
Governance	p46

John Malcolm
Non-Executive Chairman

Our purpose

Lamprell's **purpose** is to provide best-in-class project services and solutions for the energy industry.

We are focused on implementing our **strategy** responsibly and driving the Group's **core values** for the benefit of all our **stakeholders**.

Our values

Our values unite us and define our behaviours. We demonstrate them in everything that we do, stemming from learnings over our 40-year history and evolving to reflect industry requirements.

- Safety
- Fiscal responsibility
- Integrity
- Accountability
- Teamwork

Our strategy

Embracing the continual change of the energy industry we want to:

- Solidify our position in our core markets
- Enter new geographies and markets
- Move up the EPC(I) value chain
- Improve our business through innovation and digital technologies

Our stakeholders

Our key stakeholders are the drivers behind our purpose.

- Customers
- Shareholders
- Employees
- Business partners
- Communities

Read more on our stakeholders on page >> 24

At a glance

Northern European seas

Lamprell has successfully fabricated and delivered several projects for use in the Northern European seas including major platforms and wind turbine jackets

Bid pipeline from the North Sea and Europe

USD 1.3bn

as at 31 December 2019

Key

- Rigs
- EPC(I)
- Contracting services
- Land: Lamprell yard area
- Quayside: Lamprell yard area
- LATC – Lamprell Assessment and Training Centre

Targeting the renewables market

We have seen a rapid transition from traditional energy sources towards the renewables market. Lamprell has experience in this fast-growing sector dating back to 2009. In that time it has delivered six multi-purpose installation vessels, as well as 60 foundations for use on the EA1 windfarm project. The Company continues to actively pursue multiple prospects in this strategic market.

For more on our markets please see page >> 12

Activity (USD)

1.4bn

Our total renewables bid pipeline as at 31 December 2019, out of a total bid pipeline of USD 6.2 billion. If converted into new projects, this will benefit our stakeholders and contribute to global targets to reduce CO_2 emissions from energy production.

Benefit (USD)

200m+ contract

Lamprell is currently focused on delivering 48 jackets for its most recent renewables project, which was awarded by DEME Offshore for the Moray East offshore windfarm.

The Gulf, Kingdom of Saudi Arabia, United Arab Emirates and other regions

Lamprell has worked in the Middle East region for over 40 years with prominent clients delivering a wide array of projects including rigs, modules and other services

Bid pipeline from the Middle East and other regions

USD 4.9bn

as at 31 December 2019

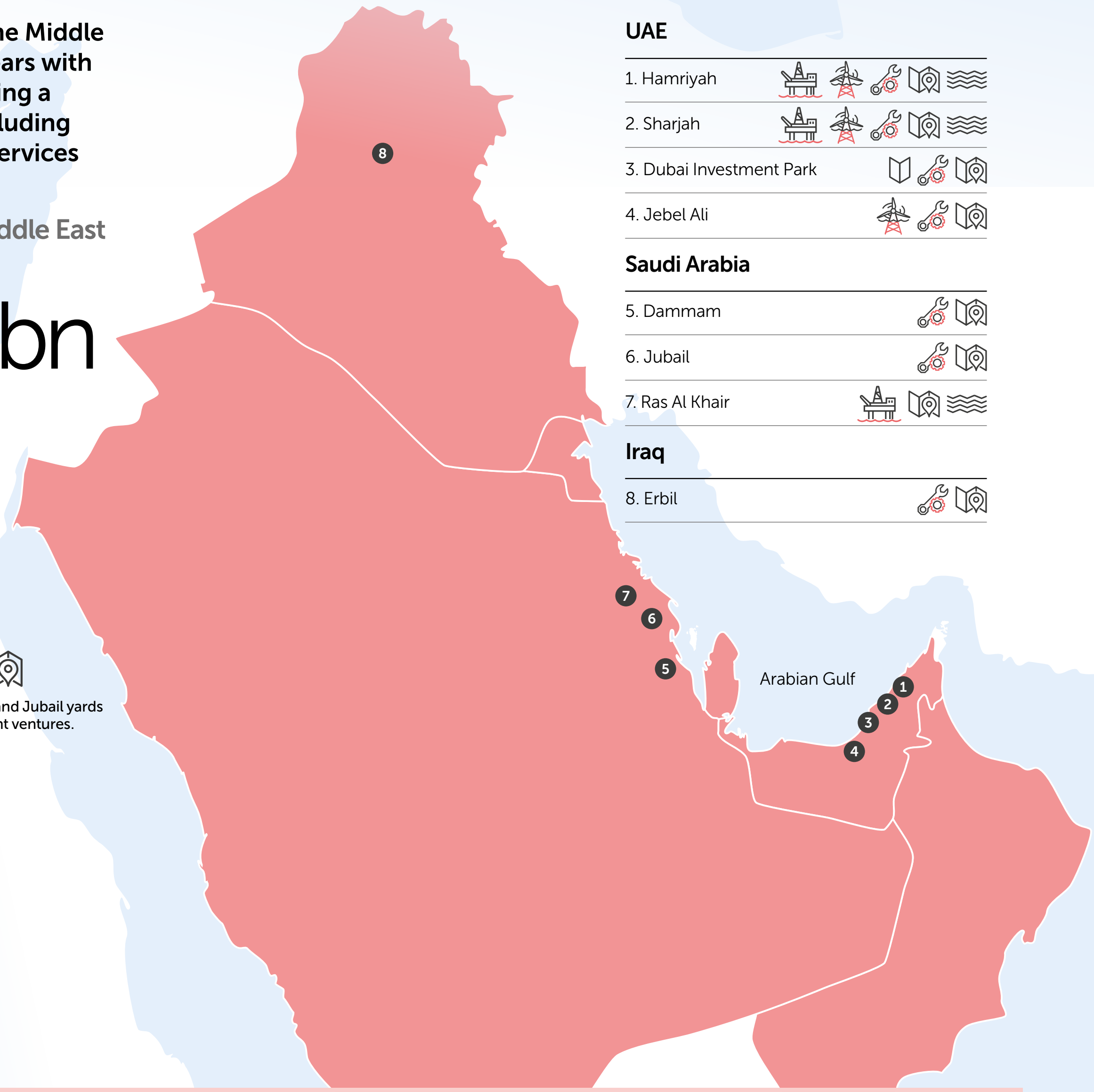
Total land m²

802,000*

* Excluding Ras Al Khair (IMI), Dammam and Jubail yards in Saudi Arabia as operated through joint ventures.

Total quayside m

1,560



UAE

1. Hamriyah
2. Sharjah
3. Dubai Investment Park
4. Jebel Ali

Saudi Arabia

5. Dammam
6. Jubail
7. Ras Al Khair

Iraq

8. Erbil

Solidifying our position in our core markets

Lamprell has a proven track record over the last four decades of successfully delivering complex products to help our customers achieve their energy production targets. This includes 28 new build jackup rigs since our listing in 2006 and hundreds of rig refurbishment projects. Lamprell's highly skilled workforce takes pride in its ability to support traditional and new clients through our safe, high-quality and value-adding services.

For more on our markets please see page >> 12

Activity

440,893

total number of training man-hours provided in 2019 at the Lamprell Assessment and Training Centre, as we look to maintain the high standards and competencies of our employees.

Benefit

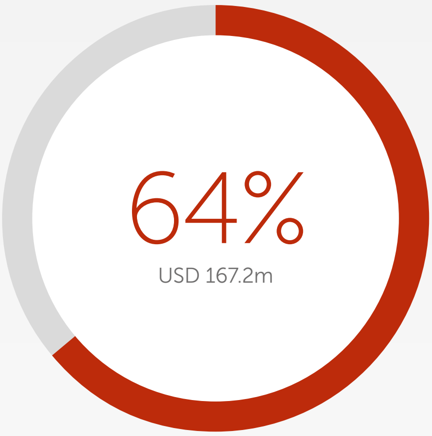
0.19

TRIR as at 31 December 2019. Upholding our excellent safety performance is crucial. We care about our employees and we will continue our efforts to improve on this performance. Last year our TRIR was 0.15.

Core services
EPC(I)

Lamprell provides engineering, procurement and construction services to the renewables and oil & gas energy industries and has successfully built multiple high-quality platforms, foundations and process modules for installation offshore to clients operating in them.

Group revenue



17
number of major projects built in this sector over the last 15 years

6,029
total number of Lamprell employees as at 31 December 2019

41
total employee nationalities as at 31 December 2019

While we focus on the EPC elements of a project, we also partner with leading transportation and installation companies to provide clients with a full, seamless suite of services.

Foundations

Foundations are the support structures that form the base of offshore wind turbines and typically include jackets and piles or suction caissons. Lamprell's focus is on jackets because they are more complex and we can add greater value. A jacket is generally made up of three or four legs and links the wind turbine tower with the connecting structure into the seabed.

Platforms

Lamprell fabricates a broad array of platforms including topsides, wellhead decks, living quarters, HVAC/HVDC platforms and other offshore fixed facilities. Depending on the market, each platform type has a different purpose which could be the extraction, storage and processing of hydrocarbons, the centralisation and conversion of electricity for delivery onshore and/or the accommodation of the workforce performing these activities while offshore.

Process modules

Lamprell constructs complex process modules as well as pre-assembled and modularised units. Modules comprise of a collection of integrated systems that perform various processing tasks for energy industry operations. A primary function, whether on a platform offshore or on land, is to separate and stabilise fluids extracted from the earth's surface. The separated fluids are measured and either shipped, injected back into the reservoir, or burned off by flaring.

Further learning

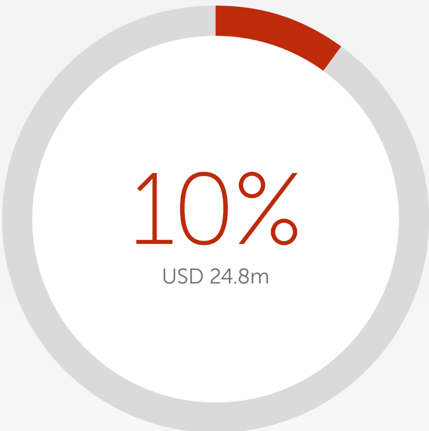
Lamprell's website has a range of videos for further education on these structures. For more information please visit: **lamprell.com/media-centre/videos**

- Watch the video entitled *'Nexen PUQ load-out'* to see the award-winning deck Lamprell fabricated which holds the Guinness World Record for the heaviest load moved by self-propelled modular trailers.
- Watch the video entitled *'Project video 1 – wind turbine jackets'* for a full explanation of the wind turbine foundations that Lamprell is currently fabricating in its yards.

Core services
Rigs

Lamprell is a leading and reputable builder of offshore and onshore drilling rigs and multi-purpose jackup liftboats for use in international operations. We also provide a full suite of re-certifications, conversions and major upgrade services for all types of rigs.

Group revenue



28
new build jackup rigs built since listing in 2006

6
multi-purpose self-elevating vessels built for use in the renewables and oil & gas sectors

69
offshore rig refurbishment projects completed in the last five years

We are an internationally recognised builder of top-quality rigs for global energy markets. We have invested in automation to enable our experienced workforce to improve efficiencies during rig construction.

Jackup rigs

Jackup drilling rigs are used for offshore activities as our clients explore, develop and extract hydrocarbons in shallow waters. They typically drill deep into rock formations beneath the seabed in search of oil or gas. In addition, clients in the renewables market use multi-purpose jackup vessels to install jackets or wind turbines at their offshore fields. These vessels are highly adaptable, efficient and can optimise the way that clients develop their offshore projects.

Rig refurbishment

Lamprell provides a full suite of refurbishment services for all types of jackup rigs or vessels including re-certifications, conversions and major upgrades. Lamprell was originally founded as an equipment refurbishment company in the mid-1970s and developed its capabilities to become a trusted leader in the region, delivering safe, high-quality refurbishment services on time.

Land rig services

A land rig is an industrial structure designed to drill holes for water, oil or natural gas at onshore locations. Lamprell has delivered a total of 11 new build units and also provides many different re-certification, conversion and upgrade services on land rigs.

Further learning

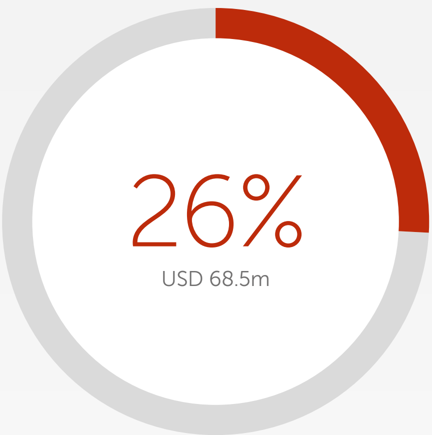
Lamprell's website has a range of videos for further education on these structures. For more information please visit: **lamprell.com/media-centre/videos**

- Watch the videos under the *'New Build Jackup Rigs'* and *'Renewable & Multi-purpose Liftboats'* sections to learn more about these vessels.
- Watch the videos under the *'Rig Refurbishment & Conversions'* section to learn more about these upgrades and see the *'Land Rig Services'* video to learn more about land rigs.

Core services
Contracting services

Lamprell's smaller specialist business unit, encompassing Site Services, Sunbelt Safety Services and O&M, provide highly skilled personnel as well as products and services to a full range of clients in both the renewables and oil & gas markets.

Group revenue



959
Lamprell's total number of Sunbelt and O&M personnel seconded to clients offsite as at 31 December 2019

13m+
man-hours worked across Lamprell sites in 2019

7
number of countries in which Sunbelt operates

Our contracting services business unit has an excellent reputation for taking Lamprell's strong safety and quality culture wherever our people operate and it continues to regularly win safety awards at client work sites.

Site services

We have a team of highly experienced staff that use internationally certified systems and processes to provide maintenance solutions for both complex onshore plants and terminals, and small-scale EPC construction projects. They are focused on adding value and reducing interfaces between parts of a project to reduce the downtime faced by a client.

Sunbelt Safety Services

Sunbelt provides state-of-the-art H_2S safety equipment and services to the oil & gas industry including customer set-up, installation, support and emergency response services. Its experienced professionals service safety equipment and deliver client training, leveraging their proven track record for excellence in this highly technical and potentially dangerous field.

Operations & maintenance

Lamprell's O&M core workforce of specialist welders, fabricators and administrative staff provide both technical and equipment and material services to a diverse customer base at oil & gas and petrochemical facilities, or at offshore sites.

Further learning

Our Lamprell and Sunbelt websites have a broader range of information on our contracting services business unit.

- For further information on our Site Services division please visit **lamprell.com/our-business/contracting-services/engineering-and-construction**
- Please visit **sunbeltsafety.com** for more about this Lamprell subsidiary.
- For further information on our O&M division please visit **lamprell.com/our-business/contracting-services/operations-and-maintenance**

Market review

Clients in our traditional oil & gas market are only sanctioning capital investment decisions on essential projects due to the tough market and COVID-19, and upstream spending will continue to remain subdued for the foreseeable future. The offshore wind market, in comparison, will grow strongly in the coming decades.

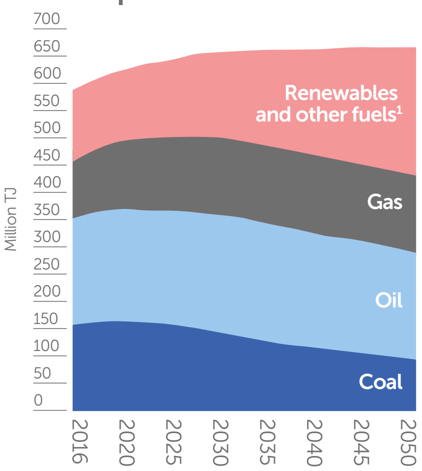
Renewables

The offshore wind sector is forecast to grow fifteen-fold in the next twenty years,[1] driven by growth in wind portfolios of countries entering the market. The business case for offshore wind projects is underpinned by continuous cost improvement, such that the third round CfD auction in the UK achieved clearing prices near to parity with wholesale market prices.[2] The decoupling of windfarms from subsidies, along with a transition away from fossil fuels, is expected to drive strong growth for the coming decades.

Oil & gas

Global investment in upstream was flat in 2019, with spending around USD 450 billion.[3] Even prior to COVID-19, there was a growing concern among investors as to how the IOC and NOC business models would adapt to the rapidly-evolving energy transition, as society moves to a more sustainable low-carbon future, and this concern will be magnified as a result of the global pandemic.[4] Traditional fuels remain part of the energy mix but with such negative sentiment there is little prospect of market growth returning to levels seen previously between 2005-2014, and contractors must be disciplined to participate in this market.

Forecast: primary energy demand per fuel



1. Includes biomass, hydro and nuclear

Source: McKinsey Energy Insights' Global Energy Perspective, January 2019

Market trends

1 Adapting to the energy transition

Under the Paris Accord commitments to limit global warming to 1.6C,[5] countries are setting national policies to limit the use of fossil fuels. The likes of the UK and France have set goals to eliminate the sale of conventional cars by 2040.[6] Individual states in the USA are pushing ahead with similar targets. However, a much greater driver of change than national government policies is consumer sentiment which has turned decidedly against fossil fuels, and this force will accelerate the transition that we are already seeing in progress.

How we are responding

We have successfully pivoted our core fabrication capabilities and yard capacities to build windfarm foundations for the renewables industry. We are actively bidding on a number of major renewables projects with the expectation that some will be awarded during the course of 2020. We expect to win our fair share of the awards as a leading manufacturer in this sector.

Link to strategy

- Renewables offer new geographies to market our products and services
- Renewables provide opportunities to take on more of the EPC(I) value chain

Link to principal risks

1 3 6

2 Regional NOCs' spend continues and pivots to Asia

Saudi Aramco and ADNOC's USD 500 billion spending plans announced in 2017 and 2018[7] are being implemented. Saudi Aramco's LTA bidding in 2019 matched expectations of circa USD 3 billion, and ADNOC launched tenders that will start to be awarded in 2020-21. In 2019, the USA became a net exporter of oil for the first time since the 1940s[8] and is no longer an end market for Middle Eastern producers. China and India dominate regional hydrocarbon offtaking and in turn expect access for domestic contractors, as seen with some of the new entrants onto the LTA.

How we are responding

Lamprell is on the Saudi Aramco LTA and also has a strong relationship with ADNOC as a builder of rigs. Local content is a key part of the award process for both NOCs and Lamprell scores highly in their respective evaluations. We were awarded the construction contracts for IMI rigs 1 and 2 in January 2020 and are actively bidding on other major projects for both NOCs.

Link to strategy

- Maintaining strong relations with our Middle Eastern clients
- Generating new business prospects in our core areas where we have a proven track record

Link to principal risks

1 5 10

1. **IEA press release:** www.iea.org/news/offshore-wind-to-become-a-1-trillion-industry
2. **KPMG September 2019 report:** https://assets.kpmg/content/dam/kpmg/uk/pdf/2019/09/kpmg-blown-away.pdf
3. **Wood Mackenzie article:** https://www.woodmac.com/news/the-edge/global-upstream-investment--the-trends-in-2020/
4. **Bloomberg article:** www.bloomberg.com/news/articles/2019-05-29/putting-a-price-on-the-risk-of-climate-change?
5. **UNFCCC Paris Agreement:** https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

See principal risks on page >> 42

3 Overcapacity in the oil & gas supply chain

The supply chain in the energy industry has been slow to recognise that upstream oil & gas spending is unlikely to return to previous levels, especially given the recent collapse in prices, and it has tried to hold on to excess capacity for too long which has depleted many balance sheets. Contracting companies are struggling to service debt; some have failed and will struggle with debt in the coming years.[9] Others have taken major write-downs of assets.[10] The industry is expected to consolidate and remove capacity to lower the cost base and improve margins so that investment and debt service can continue.

How we are responding

Lamprell has re-oriented its yard capacity to service key customers Saudi Aramco and ADNOC, as well as the renewables market. We have invested in our Saudi strategy. In 2020 we have consolidated our UAE yards and reduced our overheads accordingly. However, fossil fuels will remain part of the energy mix for the foreseeable future and, as a disciplined and skilled contractor, we see this as an opportunity.

Link to strategy

- Disciplined investment in IMI has helped to solidify our position in Saudi Arabia
- Secured the first new build jackup drilling rig contracts globally since 2015, in early 2020

Link to principal risks

1 2 5 9 10

4 Aggressive cost competitiveness

The depressed spending plans of IOCs and NOCs around the globe year after year has left too many contractors chasing too few opportunities; we have seen this leading to service companies taking on projects based on very aggressive price-cutting and additional risk-taking with little or no margin.

On the renewables side, the large subsidies of past windfarm projects have stopped under fierce bidding auctions such as those seen in the UK CfD round 3[2], and the windfarm developers are passing on these cost cuts to the supply chain to keep capital expenditure low.

How we are responding

Over the last two years, we have embedded many lessons learned into our processes to be more efficient and competitive. We have a disciplined bid/no-bid approval process and will only bid for work where we have a realistic chance of award and we can make a reasonable return. We have taken measures to lower our overall cost base to improve bid outcomes and are looking to use automated robotic welding to improve efficiencies.

Link to strategy

- Continuity of work in renewables to ensure repeat and new business
- Focused on EPC(I) bidding to move up the value chain with Saudi Aramco on the LTA

Link to principal risks

1 2 7 10

5 Digitisation starts to make an impact

Across our customer base in both of our core markets, our clients are seeking to work with innovative companies that are committed to helping them improve their capital investment business case and/or lower the cost of operations. In the past, the energy industry has been slow to realise the benefits of collecting and using electronic data to improve performance, but this has now changed and is being embraced. Contractors that do not adopt digitisation measures may struggle to remain competitive.

How we are responding

Lamprell formed a joint venture with Injazat, the digital arm of Mubadala, to develop digital concepts and help turn these initiatives into commercial ventures. We will use innovation to improve the efficiency of our existing operations or build new businesses with additional revenue streams by leveraging Lamprell's fabrication capability and Injazat's digital expertise.

Link to strategy

- Innovate and digitise to make business more efficient
- Build new businesses and revenue streams by leveraging our core capabilities

Link to principal risks

5 7 8 9

6. **Bloomberg article:** www.bloomberg.com/news/articles/2017-07-25/u-k-to-ban-diesel-and-petrol-cars-from-2040-daily-telegraph
7. **ADNOC press release:** https://www.adnoc.ae/en/news-and-media/press-releases/2018/supreme-petroleum-council-approves-adnocs-2019-2023-business-plan
8. **Fortune article:** https://fortune.com/2018/12/06/oil-exports-us/
9. **Reuters article:** https://www.reuters.com/article/us-mcdermott-intern-bankruptcy/mcdermott-to-file-for-chapter-11-bankruptcy-protection-idUSKBN1ZK1L8
10. **Bloomberg article:** https://www.bloomberg.com/press-releases/2020-02-10/technipfmc-confirms-total-company-2019-segment-guidance-announces-fourth-quarter-non-cash-impairment-charges-of-2-4-billion

Our business model

We serve clients from many international locations and our business model is designed to be flexible and resilient enough to be able to support this broad customer base and deliver sustainable and profitable performance over the long term.

Our inputs

People
Internationally diverse, experienced workforce with a large proportion having 10 or more years of service with Lamprell.

Financial assets
Balance sheet, with sufficient financial resources to secure bonding to execute major contracts. Debt-free, with plans to put a new financing in place in 2020.

Infrastructure
Modern, world-class yard capacity in the Middle East region, able to execute multiple large projects concurrently.

Business development
Network of client contacts and long-standing relationships throughout the supply chain that allow us to source new prospects, build the sales pipeline and convert opportunities into new awards.

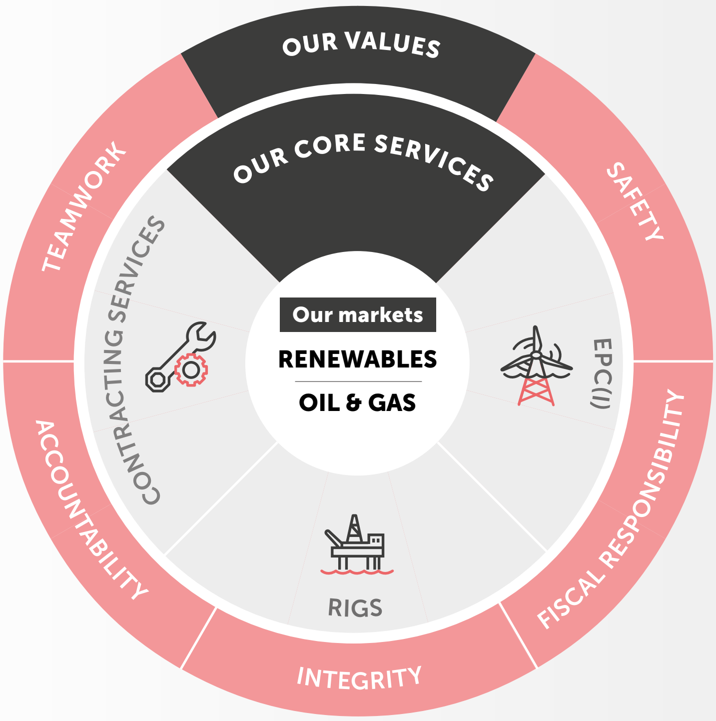
Suppliers
Global supply chain reach with a network of proven regional and international high-quality suppliers and contractors.

Relationships
Strategic relationships at senior levels with our key clients in both the renewables and oil & gas markets.

Processes
Robust, embedded processes and procedures to bid effectively and to execute complex projects.

Intellectual property
Over 40 years of know-how in the fabrication and construction of energy industry projects. LJ43 and LAM2K proprietary rig designs.

What we do



EPC(I)
Engineering, procurement and construction of energy capabilities in the renewables and oil & gas markets. We build these projects either in our yards in the Middle East or construct them on location.

Read more on page >> 6

Rigs
Proven designer and builder of onshore and offshore jackup drilling rigs and multi-purpose jackup liftboats. We undertake full EPC services for new build rigs and undertake refurbishment activities for existing units.

Read more on page >> 8

Contracting services
Provider of safety, operations & maintenance personnel and services to our regional clients. We also undertake onshore EPC services for selected opportunities.

Read more on page >> 10

Underpinned by our robust governance and risk framework

Read about our principal risks on page >> 42

Our key differentiators

First-class safety and quality

We have a long-standing world-class safety performance, underpinned by commitment from the Board and executive management. Our quality processes and procedures are aligned with all major international standards, implemented by highly experienced QA/QC personnel.

Value for money

We deliver Tier 1 quality fabrication and EPC services to international standards, frequently delivering against exacting schedules with a strong focus on cost competitiveness.

Client satisfaction

Integrity and accountability are two of our core values. We believe that repeat customers are the foundation of long-term success and we are committed to meeting client expectations on quality, safety, schedule and cost.

Skilled workforce

We have a core workforce of long-standing employees in both yard and project management. Our in-house training school ensures continuous improvement and supports the staffing needs of our projects.

Strategic location

We have world-class execution resources all located in the world's largest energy region, with close proximity to key customers. Our central position allows us to leverage our low cost base to deliver competitively to European and other international markets.

Creating value for our stakeholders

Customers

We seek to provide our clients with quality products that meet their expectations, with certainty of delivery, which allows them to generate energy safely, securely and cost efficiently. We value long-term multi-contract relationships and are focused on retaining clients as repeat customers.

Shareholders

Fiscal responsibility is a core value and we are committed to providing a return to our shareholders through increases in the value of their holdings and/or dividends in the longer term. Management remuneration includes share schemes which are based on KPIs, to closely align drivers for shareholders and staff alike.

Employees

Employees are our most important asset and we are committed to their well-being and to ensuring that everyone goes home safely every day. We treat our employees fairly and ethically, invest in training and development to improve skills, and provide benefits that meet or exceed regional norms.

Business partners

Reliable, proven business partners underpin our ability to evaluate, win and deliver complex, cost-competitive projects with aggressive schedules. During bidding and at contract award we align closely with our partners and suppliers, treating them fairly and transparently, and work to establish long-lasting, mutually-rewarding relationships on the projects where we work together.

Communities

We invest in the communities we work in, sourcing employee benefits such as medical care, schooling and housing from within the local community. We also extend our community support to the home countries of many of our employees, investing in training, visa and in some cases charitable support in those locations.

Read more about how we engage with our stakeholders on page >> 24

Underpinned by our strategic priorities

Read about our strategic priorities on page >> 16

Our strategy

Our strategic objectives are aligned with our purpose to provide best-in-class project services and solutions for the energy industry.

Lamprell remains on course with the strategic direction set in recent years: to strengthen our core offerings around rigs and windfarm foundations, move up the value chain from pure fabrication into a broader EPC(I) role, expand into new geographies with a focus on Saudi Arabia and on new clients for windfarm foundations, and build on our expanded renewables capability by becoming a provider of choice. In addition to this continuity of focus, in 2019 we adapted our strategy to market conditions and launched a digital business initiative in partnership with Injazat, to leverage our two companies' respective competencies into new business opportunities.

See principal risks on page >> 42

1
Solidify core business and financial position

Refinance the business and maintain continuity of work in our renewables and oil & gas markets, to ensure the Company's viability.

2019 priorities

- Secure a major renewables project.
- Win rig awards from IMI and customers in the UAE.
- Maintain market share in rig refurbishment.
- Complete the LJ43 rig design.

2
Move up the value chain in EPC(I)

Leverage our position in renewables and on Saudi Aramco's LTA programme to move further into EPC(I) execution.

- Bid and win EPC(I) projects under the LTA with Saudi Aramco.
- Leverage LTA role to qualify as a bidder on other EPC(I) projects in other target geographies.
- Pursue EPC(I) roles in the renewables market for jacket-based projects or HVAC/DC platforms.

3
Enter new geographies and markets

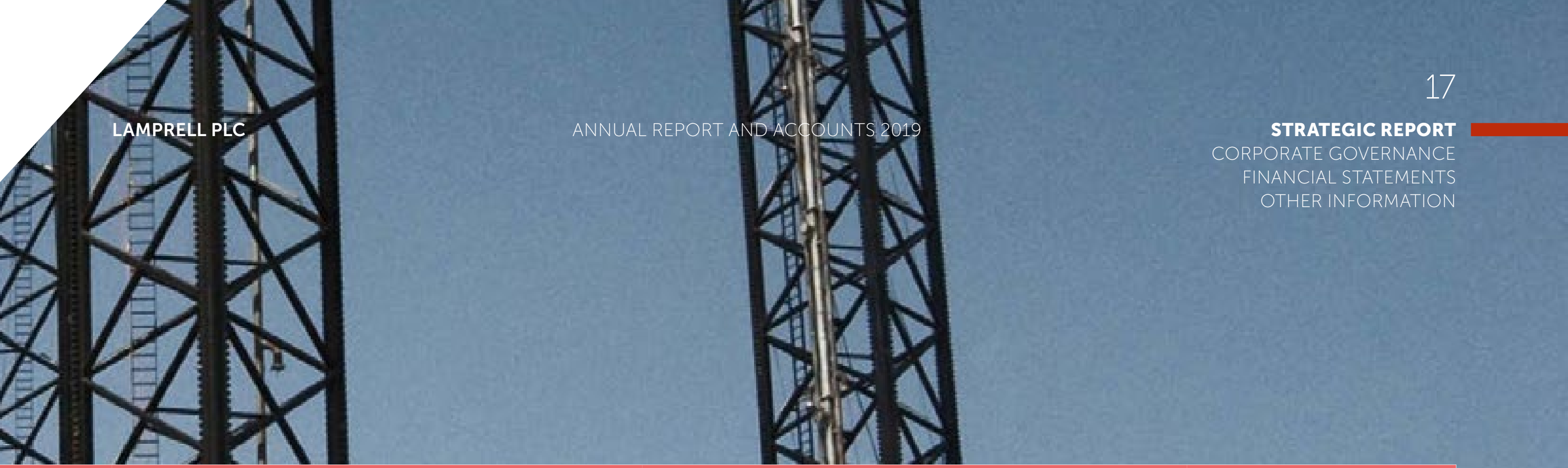
Build on our entry into the Saudi Arabian market by securing new contract awards; pursue prospects in the renewables market, either with new clients or for new geographies.

- Secure an LTA award.
- Continue investment in IMI.
- Develop Lamprell Saudi Arabia, a joint venture with local Saudi company to support the Saudi Arabia 'Vision 2030', a major initiative of the Saudi government to build local capabilities.
- Identify new bidding opportunities for windfarms, and qualify as a potential bidder.

4
Innovate through digital technologies

Leverage Lamprell's fabrication and project execution skillset into one or more digital product offerings.

- Form a digital partnership with a like-minded company which can bring digital expertise and financial resource to the venture.
- Identify opportunities for business improvement measures through digital technologies.
- Engage third party expertise to help transform ideas into businesses.



Our progress in 2019	Our 2020 priorities	Link to principal risks
• Proposals on multiple large jacket-based renewables projects submitted and under bid. • Letter of intent for two jackup rigs converted into full package ready for execution early in 2020. • 13 rig refurbishment projects awarded. • Land rig awards delayed into 2020 or beyond. • LJ43 rig design completed.	• Progress a major refinancing option to completion. • Convert a 2019 renewables proposal into a full contract award, and progress other renewables bids towards future awards. • IMI rigs 1 and 2 contract signed and execution commenced; support IMI rig project team. • Bid for ADNOC new build jackup rig(s) when tendered. • Create fit-for-purpose overhead cost model, including consolidated yard space.	1 3 5 6 7 9
• Submitted ten CRPO LTA bids during the course of 2019 with seven awarded to existing LTA contractors. • A number of renewables projects were bid under a consortium model working with various installer partners – none progressed to award during 2019.	• Continue to selectively bid LTA projects and win one or more EPC(I) contract(s). • Continue to bid renewables projects where possible in consortium with installer partners, and convert a major contract in 2020 or 2021. • Qualify as a bidder on EPC(I) projects in another target market. • Overhead cost reduction throughout the business to align with new reality in market conditions.	1 3 6 7 9 10
• To date, Lamprell has invested USD 59 million in IMI as part of our overall USD 140 million equity contribution, although no further payments were made in 2019. • All LTA bidding activity being developed with the involvement of Lamprell Saudi Arabia. • In 2019, the Group participated in a number of major bids for renewables customers who will award work in 2020, and whose projects will take place in new geographies for Lamprell.	• Commenced negotiations for the deferral of the next instalment of investment in IMI. • Secure EPC(I) work under the LTA and implement our local content programme during execution. • Secure contract in the renewables market, either with a new client or for a new geography. • Develop Lamprell Saudi Arabia's resources and competences, and market our commitment to local Saudi content.	3 4 6 8 9 10
• Lamprell and Injazat formed a digital joint venture and engaged a third party digital venture capitalist firm. • The partners concluded a process which yielded investable business ideas that can be developed further. • Implemented facial recognition technology at our yards for security and workforce optimisation.	• Secure stakeholder alignment and financing to enter into development phase for new digital ventures. • Take up to four of the businesses into development so they can be investable, stand-alone and self-supporting companies, based on limited capital investment. • Continue to implement new digital technologies into our business to reduce costs.	2 4 8 10

RENEWABLE ENERGY **FOR A SUSTAINABLE FUTURE**

Meaningful conversations around the threat of climate change are taking place every day. This is affecting investment decisions and the ways that companies do business. We recognise our responsibility to participate in the response to this threat – building products for generating renewable energy is a core offering for us.

1,000,000
the average number of UK households to be provided with electricity from the Moray East offshore windfarm project

USD 1.4bn
our bid pipeline for the renewables sector as at 31 December 2019

With over 100 windfarm jackets and six multi-purpose self-elevating vessels in our renewables portfolio already, Lamprell has the proven experience to deliver in this ever-growing sector. Our USD 1.4 billion renewables bid pipeline is evidence that we are working to expand and broaden our presence in this area.

Moray East

In December 2018 Lamprell won a contract valued at over USD 200 million to deliver 48 jackets for use in the Moray East project, offshore UK. We are fabricating the jacket component, which is the section that sits between the seabed and water line, and forms the foundation of the wind turbine.

Forty-five of the jackets are structures for supporting wind turbines, while three of them will be used for offshore substation platforms. On top of the wind turbine jackets, there are transition pieces which then support the wind turbine, while the other three jackets will form the base of a framework deck structure which is used to support the substation platform.

Following a steel cutting ceremony held in the first half of last year, fabrication work has been underway in Lamprell's Sharjah and Hamriyah yards all through 2019, and with construction activities progressing well, the jackets will be delivered progressively throughout 2020.

Yard optimisation

Lamprell is constantly looking at ways to improve the way we execute our renewables projects through yard optimisation, and we have undertaken several improvements to ensure more effective jacket throughput.

In 2019 we made an investment of USD 3.5 million to purchase our own self-propelled modular transporters, which will be used to execute the internal movements and load-out of the Moray East jackets more efficiently, at lower cost and with a reduced carbon footprint.

A PERFORMANCE-DRIVEN CULTURE **THAT ENABLES INNOVATION**

Our employees are our most valuable resource and key to Lamprell's success. We strive to give our people the opportunity to learn new skills through a variety of training initiatives which empower them to develop their own innovative ideas to help transform our organisation for the better.

91%

of Lamprell's administrative staff have been trained through our process improvement initiative, Six Sigma

50+

managers and key personnel have undergone leadership development, excellence and succession planning programmes

Lamprell is a multicultural organisation which at its peak has employed more than 11,000 people from over 40 nationalities around the world. Our goal is to create a pipeline of skilled and experienced personnel at all levels of the business.

Training at LATC

The LATC provides both HSE and technical training in the UAE, and in 2019 the centre delivered over 430,000 hours of training in both fields. The LATC team had a 2019 training KPI to deliver 0.0165 training hours for every man-hour worked. They achieved 0.0324, almost doubling their KPI target. Much of the increase came from a ramp-up in the Moray East project and also our restructuring of the training programmes to cover all yard disciplines and levels, including a new supervisor initiative. Our supervision staff plays a key role in ensuring high-quality and safe project execution so we extended their training hours significantly during the year.

Succession planning

Lamprell is actively running a leadership development and excellence programme which focuses on talent development and succession planning at the executive and senior leadership levels, with over 50 senior employees participating in 2019.

Six Sigma

Lamprell is focused on maintaining competitiveness and a culture of continuous improvement. We want to be ahead of the game when it comes to digitisation in the renewables and oil & gas industries. Six Sigma is a continuous improvement methodology which helps to differentiate our business from those of our competitors, and all our employees have either undergone or will be undergoing a certain level of Six Sigma training. Six Sigma supports Lamprell's strategy and helps to change how our employees tackle complex business problems by challenging the norm through data analytics and statistics, multi-functional team collaboration and developing a culture of financial awareness. This initiative will make our business stronger and more competitive.

INVESTMENT IN TECHNOLOGY **TO MAINTAIN INDUSTRY LEADERSHIP**

The world is changing. It's essential that we stay ahead of the curve and push the boundaries beyond conventional thinking to ensure Lamprell remains competitive for the future. Investing in digital technologies will provide us with new capabilities that will underpin the sustainability of our business.

>7x

expected efficiency of welding robots over conventional methods

4

new digital ventures that Lamprell is exploring with digital technology partner Injazat

There is a strong need for the construction industry to embrace digital transformation to stay relevant, improve efficiency and attract the right talent and investment. Lamprell plans to be at the forefront, and is embracing automation and working on generating new revenue streams.

Drivers for change

Until recently, heavy industrial companies servicing the energy sector have been slow to recognise and realise the benefits of digitisation and in particular the use of 'big data' and artificial intelligence to enhance their operations. We are looking at ways that such tools could not only improve the efficiency of our yard operations but also generate new revenue streams through our diversified portfolio of business solutions.

Innovation through partnerships

12 November 2019 marked an important day in Lamprell's history: we announced our partnership with Injazat, a market leader in digital transformation, to create and market innovative digital solutions focused on the renewables and oil & gas markets. Lamprell and Injazat are working on a portfolio of technology-enabled digital ventures that will create new value for their target customers, primarily in the Middle East/North Africa region.

Digital venture opportunities

In addition to the digital ventures being discussed between Lamprell and Injazat, we are also testing technological opportunities to enhance our business. Automated welding has been used in production industries for many years but has not been successfully used in the offshore energy industry because of the complex processes involved. We are excited by the application of artificial intelligence to automate welding to overcome such issues, as this has the potential to improve welding standards and reduce safety risks. In 2019 we also implemented various facial recognition initiatives across our Hamriyah facility. This has enhanced security of access to our facility and improved tracking of materials: from the date of receipt by our warehouse staff, during internal movements, and through to incorporation into the fabricated structures. More initiatives will be implemented in 2020 as we develop our business and engage our people, processes and infrastructure in such improvements.

Engaging with our stakeholders

Stakeholder engagement at Lamprell

In 2019 the Board, through the Nomination and Governance Committee, focused heavily on framing and defining its engagement with the Group's stakeholders >> 60. With a broad array of stakeholder groups, we identified the key ones as the Group's customers, shareholders, employees, business partners and communities. We interact with them daily and all business decisions have an impact, to a larger or smaller extent, on each group.

The Board recognises that it needs effective engagement with these key stakeholder groups, and especially its workforce, to meet its responsibilities in managing the Company. After all, the purpose of the Company is to provide best in class project services and solutions for the energy industry and we do this for the benefit of all stakeholders. The Board also recognises that we form part of a much wider group – the global energy industry – and Lamprell takes pride in working collaboratively and effectively with other businesses in it.

Knowing what our stakeholders want and what their respective key drivers are, helps the Board and management to make better decisions for the Company as a whole. At times, such decisions can be tough to make, particularly against the backdrop of the COVID-19 pandemic and a prolonged downturn in the oil & gas market, and may impact some stakeholders more than others. However, ultimately this enables us to set and deliver strategic objectives and create a profitable and sustainable business.

Customers

Shareholders

Employees

Business partners

Communities

Why it's important to engage	How we engage	Outcomes of engagement
Our business is dependent on revenues generated from contracts. We engage with clients to understand client requirements, source new prospects and tailor our offerings to them. This helps to build long-lasting, deep relationships with the ultimate aim of generating profitable, repeat business.	• Major bids are reviewed and approved by the Board • Senior management meetings between our CEO, VP of Business Development and client management; day-to-day through our business development team • All staff at Lamprell understand that they have a role to play in business development and sales activities • Plans for Directors to engage with key customers in 2020	• New contract award for the two IMI rigs in early 2020 • 13 rig refurbishment projects awarded in 2019, with many being from repeat customers • Ongoing bidding on multiple renewable tenders • Maintained a healthy bid pipeline of solid prospects, by having a diversified range of products and services
The Board manages the Company on behalf of all the shareholders, and this is measured by a key metric: total shareholder return >> 27. With greater visibility on motivations for shareholder investment decisions, the Board can set and measure performance against clear and aligned strategic objectives on a longer-term basis.	• Regular communications with major investors arranged by individual Directors, feeding views back to the full Board • Roadshows involving CEO/CFO after full-year and interim financial results, including, extensive two-way Q&A • Day-to-day investor relations managed by Lamprell's IR team and corporate brokers	• Strategic objectives pivoting towards renewables and new geographies/markets • Visit by investors and analysts to our Hamriyah facility in October 2019 including their engagement with other senior managers • Metrics/targets for management's remuneration packages closely linked to the delivery of our strategy
Our employees are at the centre of everything that we do and we have 40+ nationalities working together. We need to listen to the 'employee voice' as we strive to create a consistent corporate culture across the Group. We want to retain healthy, skilled and safe employees as a key component of a sustainable business.	• NED attendance at five employee welfare committee forums in 2019 • Twice-yearly CEO townhalls attended by 1,000+ admin staff • Briefings on key issues to yard workforce by senior managers • Regular communications through the Company intranet, LamprellConnect and Lamprelltimes newsletter • Board lunches with high-potential employees	• More interaction between Directors and managers/high-potentials during 2020 • Training programme for 50+ managers/key employees to be built on in 2020 • Alignment of remuneration packages to the local market to remain competitive • Additional camp security to prevent external parties from entering our premises • Reduction in overheads made in 2020 to respond to tough market conditions and the impact of COVID-19
We have many business partners: our suppliers, subcontractors, joint venture or consortium partners and advisors. All provide invaluable support during the execution of our operations. We need them if we are to better understand our markets, expand our reach and win and execute projects. As we are constantly looking to improve, they can also advise us on better ways to conduct our business.	• Dedicated, experienced Lamprell staff to interact and engage with specific business partners • Regular reports from CEO or dedicated individuals to the Board regarding the status of key partnerships • Presentations from broking advisory team to the Directors on corporate matters/relationships	• Improved in-country scores in the UAE and Saudi Arabia, helping our ability to win work with key customers • Repeat business with Middle Eastern NOCs • Considering holding a future Board meeting in Saudi Arabia • Strong supply chain network where our people work closely with suppliers and other business partners to manage deliveries and services
As a company operating in multiple geographies and with a workforce supporting families back in their home countries, Lamprell recognises the importance of respecting local customs and practices, minimising our environmental footprint wherever we operate and developing our presence by supporting regional communities through new business opportunities.	• Board meetings ordinarily take place in the UAE, close to our operations • NED attendance at five employee welfare committee forums in 2019 • Developed close relations with local regulatory authorities and with Middle Eastern NOCs • Our Board has extensive experience of working in the Middle East region	• Creation of new jobs and contribution to the wider economies of the UAE and Saudi Arabia • Remuneration Policy leads to compensation packages which are very competitive regionally • Improved in-country scores in the UAE and Saudi Arabia • Local community initiatives such as the beach clean-up drive

Our key performance indicators

We use a number of key performance indicators to measure our performance and to assess the business' ability to deliver against its strategic goals. Some of these indicators are linked to long-term incentives for the remuneration of the executive team (these are marked with $).

Operational

Bid pipeline
(USD billion)

2019	**6.2**
2018	6.4
2017	3.6
2016	2.5
2015	5.4

Definition:
Total value of commercial bids and/or prospects at various phases, measured as at the end of the reporting period.

Strategic relevance:
Our growth potential depends on a robust bid pipeline, which includes realistic and profitable prospects matching our core expertise and allowing us to expand into new strategic sectors or target new clients.

Relevance to risk 1 3 10

Backlog $
(USD million)

2019	**470.1**
2018	540.0
2017	137.9
2016	393.4
2015	739.7

Definition:
Total value of current uncompleted works and contractual commitments by clients, measured at the end of the reporting period.

Strategic relevance:
Our backlog provides short-to-medium-term visibility of our financial position and prospects, as it indicates the likely revenues and profitability during that period.

Relevance to risk 1 3 4

Financial

Revenue
(USD million)

2019	**260.4**
2018	234.1
2017	370.4
2016	705.0
2015	871.1

Definition:
Reflects the value of operating activities, derived primarily from the progress achieved in satisfying performance obligations under our client contracts.

Strategic relevance:
Measures the ability of the Company to grow and generate sufficient working capital for new contracts over the long term.

Relevance to risk 1 3 4

EBITDA $
(USD million)

2019	**-64.6**
2018	-35.1
2017	-70.5
2016	30.6
2015	90.0

Definition:
Group loss or profit for the year from continuing operations before depreciation, impairment, amortisation, net finance expense and taxation. See page >> 144 for more details on the EBITDA methodology.

Strategic relevance:
EBITDA indicates the effectiveness of cost management as well as operational efficiency and revenue growth.

Relevance to risk 5 7 9

See principal risks on page 42

Net (loss)/profit $
(USD million)

2019	**-183.5**
2018	-70.7
2017	-98.1
2016	-184.3
2015	64.7

Definition:
Total earnings during the reporting period after cost of sales, overheads, interest, taxes and other expenses.

Strategic relevance:
Profitability is a key measure of business efficiency and cost management as well as a major requirement for business growth and sustainability of its operations.

Relevance to risk 5 7 9

Net cash $
(USD million)

2019	**42.5**
2018	80.0
2017	257.0
2016	275.2
2015	210.3

Definition:
Cash less borrowings, as at the end of the period. See page >> 144 for more details on the net cash methodology.

Strategic relevance:
Net cash is a core indicator of capital and balance sheet management. The strength of our balance sheet allows us to remain competitive without compromising on margin, as well as to address capital requirements for strategic growth.

Relevance to risk 4 7 9

Sustainability

Safety TRIR $
(Rate per 200,000 hours)

2019	**0.19**
2018	0.15
2017	0.30
2016	0.29
2015	0.31

Definition:
Number of incidents per 200,000 man-hours worked, including injuries that require more than first aid treatment or cause days away from work.

Strategic relevance:
Safe operations are efficient operations. Our goal is zero harm and we are committed to maintaining a strong safety culture. Our safety track record is often considered by current and prospective clients as part of a contract award process.

Relevance to risk 6 7 8

Total shareholder return $
(%)

2019	**-36.1**
2018	-21.8
2017	-16.8
2016	-3.4
2015	-17.8

Definition:
The combined value of share price appreciation and dividends paid to shareholders.

Strategic relevance:
Shareholders are a key stakeholder group for the business and so maximising shareholder value is a key metric for the Board to consider when developing and implementing our Group strategy.

Relevance to risk 1 2 3

Total contract awards $
(USD million)

2019	**202.5**
2018	639.2
2017	114.8
2016	359.0
2015	407.0

Definition:
Total value of all contracts awarded during the reporting period.

Strategic relevance:
Converting the bid pipeline into contract awards ensures the sustainable operation of our business. The constituents of this metric will change as we look to generate new revenue streams outside our traditional sectors.

Relevance to risk 1 3 6

GHG emissions
(tonnes CO_2e gross)

2019	**14,993**
2018	21,335
2017	35,038
2016	52,005
2015	59,964

Definition:
Total GHG emissions from Company operations.

Strategic relevance:
GHG emissions are a key driver of global warming. Sustained reduction in both gross and intensity emissions are a key element in the Company's strategic approach to sustainable operations.

Relevance to risk 1 7

Chief Executive Officer's review
Adapting our business to a changing world

"2019 was another challenging year for Lamprell financially, mirroring the continuing turmoil in the oil & gas industry. But we gained further traction in the offshore renewables industry reflecting the global energy transition away from fossil fuels."

Continued delays in awards, increased competition, the commercial close-out of the EA1 project, as well as a significant non-cash asset impairment, all impacted negatively on our financial results. However, I am pleased that last year's progress in our strategic objectives has resulted in the formal award of the two rigs from IMI in early 2020 and multiple bidding opportunities in our target markets. We are also implementing a series of self-help measures which aim to improve our financial position, respond to the threat of the ongoing global pandemic and lead Lamprell back towards profitability in the coming years.

Operational update

We have had another year of excellent safety performance. At 0.19 our TRIR remains highly competitive with global best practice. It is particularly encouraging to see stability in our performance given that activity levels in the yards ramped up quickly through the year.

In 2019 our operations focused heavily on the renewables segment. This included completion of fabrication and assembly for the jackets and foundations on the EA1 project. In April 2020, we agreed the commercial close-out of this difficult and loss-making project, which allows us to focus our energy on new opportunities in this growing market. Closing terms removed the risk of liquidated damages and materially improved the Group's liquidity position. All of the jackets have been installed by the client and some of them are operating already as the windfarm has started to produce power.

We also commenced fabrication on our second offshore windfarm project, Moray East. The experience on EA1 has allowed us to assess, plan and execute this project to high standards and, having made some incremental but essential investments in our infrastructure, we are pleased with the newly-achieved efficiencies. Although the project has experienced some impact as a result of COVID-19, the process of handover of the jackets to our client at our deepwater quayside in Hamriyah started from March 2020.

Our rig refurbishment segment continues to deliver commendable results with a steady flow of projects: in 2019 we completed refurbishment works on 13 rigs and we have received as many new orders in the sector.

Strategic progress continues

We started 2019 with the hope of seeing the early shoots of recovery in the conventional energy markets. Instead, we witnessed a change in attitudes as market sentiment is now driving a transition towards cleaner energy supply and away from our traditional oil & gas market.

Our highest priority for 2019 was to sign the contract for the first two new build jackup rigs from IMI, which occurred shortly after year-end. We have now commenced early works on the project which has great strategic significance to Lamprell and IMI. We will perform the majority of the fabrication works at our UAE facilities, training IMI personnel to become rig experts, before we commission the rigs together in 2022 at the Saudi facility. Against the backdrop of a depressed oil & gas sector, this project strengthens our position as a leading fabricator of new build jackup rigs and allows us to monetise our spare rig kits. To date we have invested USD 59 million in equity and we are in discussions to defer further contributions until mid-2021 as we look to preserve liquidity in our business.

2019 was our first full year on the Saudi Aramco LTA programme. We were not fortunate to secure an LTA contract as all awards went to incumbent LTA contractors. However, via the intensive bidding process we have gained significant capabilities and valuable insight into the programme which will help on future bids. The volume of bidding in this segment continues to be high, with multiple bids in preparation at any given time. We continue our focus on the LTA and aim to convert some into successes during 2020.

Our third major goal was to expand our footprint in the renewables industry. We have been successful in progressing this goal as operations on the Moray East project draw to a close in 2020. We are actively engaged with multiple clients for new windfarm projects where we are well positioned to win future work. The industry continues to develop rapidly, with some forecasts predicting a fifteenfold increase in new windfarm installations by 2040. Our cost-effective labour, production-line set up yard improvements and recent experience position us well to win new work.

Our digital strategy has become a larger part of our future planning and we are excited about the major opportunities open to us. We are exploring innovative solutions, which would provide both improvements in project execution and also potential new revenue streams for the Group. In 2019 we partnered with Injazat, the region's leading digital developer backed by Mubadala Investment Company, to progress a portfolio of digital ventures that would enhance fabrication efficiencies in our core markets, with limited investment at this stage. These ventures will ensure we remain competitive and capable of addressing our clients' expectations.

Outlook for 2020

In early 2020, international businesses such as Lamprell were faced with the dual impact of the COVID-19 virus and a plunging oil price. The health and well-being of our employees are key for us and we have taken major 'self-help' steps to protect our workforce and the business against the threat of COVID-19. While many functions have been working remotely, our yard activities have continued to operate in accordance with the UAE regulations, including measures such as testing, contact tracing and isolation facilities. The impact of the virus has affected our productivity to some extent and increased our costs. In response, we have temporarily reduced salaries, placed some staff on reduced working hours or released them to cut costs.

Bidding activity continues in both of our end markets of oil & gas and renewables but we are seeing signs of deceleration and some delays in awards. We are well positioned for new projects but, faced with a new reality in 2020 of the epidemic and deterioration in the global economic situation, the Group's financial position remains very challenging, driving the urgent need to conserve cash (see assumptions in the going concern statement >> 38) and take further 'self-help' measures to ensure that our organisation is fit for purpose. Crucially we are also actively pursuing future funding arrangements to improve the liquidity position facing the business. The steps will allow us to implement our strategy and convert the available opportunities in our pipeline.

Christopher McDonald
Chief Executive Officer

Our investment case

- We have focused our business on diversified growth in an evolving energy industry
- We have secured long-term partnerships in strategic markets
- We are leveraging our strong reputation and proven track record with our customer base
- We conduct our everyday operations based on our core values
- We are adopting new technologies to improve operational efficiencies and produce new revenue streams
- We have high local content scores in the UAE and Saudi Arabia, countries with significant, low-cost hydrocarbon reserves

Sustainability
Ensuring a sustainable business

Protecting our business interests in the broadest sense and those of our many stakeholder groups for the long term underpins our focus on sustainability.

In Lamprell we consider sustainability in everything we do: balancing the interests of our people, our finances, our risks, our processes, our opportunity pipeline, our project execution, our customers, our shareholders, our business partners and the environments in which we work.

Sustainability starts with our people. They are central to what we do. We invest heavily in communicating to ensure they are engaged in every step of our journey. We focus on their well-being, emotional and physical; and the development of their capabilities at every level. During 2019 we made significant improvements in how we assess our technical trades through LATC. We've also focused on succession planning at the executive and senior leadership levels, with more than 50 senior employees embarking on a leadership excellence and development programme. Meanwhile our Board has dedicated time to getting closer to our yard employees, right at the heart of our operations, to understand their concerns, and every Board member has participated in our employee welfare forums.

From a broader sustainability perspective, our strategy is clearly defined by reference to agreed objectives, taking into account input from stakeholder groups, and links back to our key performance indicators and our core values.

Health and safety

Securing our organisation's place as an industry leader in health and safety is not only about having robust systems and multiple initiatives in place. The differentiator is our culture to embed these initiatives and how each is implemented, communicated and verified. Aware that safety is a core value, our entire workforce embraces this.

Employee welfare

The well-being of everyone who works with us is a top priority. We provide compassion and support where it's needed. We guide, encourage and empower. We listen and help when times might be tough. Here at Lamprell, everyone is important.

Quality

Quality is integral to our culture and to our offerings; our clients expect high-quality products and we aim to exceed their expectations. Our systems and processes are certified to high international standards and we work to integrate the lessons learned on previous operations into future projects. With the changes in the way that industrial businesses operate, we are embracing digitisation to enhance our quality standards further.

Environment

We take our responsibilities seriously and always seek to improve conditions in our own facilities as well as the wider communities within which we work. Our commitment to improving the environment is primarily observed through our carbon reduction initiatives, supported by investment in our yard operations, and our efforts to reduce landfill waste.

Taking communication to a new level

With a multinational yard workforce of thousands and a rich abundance of languages and dialects, we are only too aware that we have varying degrees of familiarity with the use of English, Lamprell's language of operation.

In September 2019 we teamed up with a Dubai-based non-governmental organisation, SmartLife Foundation, who work predominantly in the 'blue-collar' space. In doing so, we have been able to offer our yard employees access to their 'SmartReading' programme for spoken and written English, with the emphasis on communication skills and confidence-building.

More than 200 employees have been attending the four-and-a-half-month programme which takes place every Friday afternoon. A local GEMS school provided the use of a classroom. Given the importance of effective communication, the uptake and feedback has been very positive. We will continue our association with SmartLife into 2020 and have already made the next programme, which runs from February to June 2020, available to our yard teams.

200+
yard employees attended free English lessons

440,893
total training hours completed in 2019 in trade, supervisory, quality and HSES programmes

Health and safety

We deliver world-class safety standards and leave nothing to chance so we can all go home safely. We are relentless in keeping our people safe. That's our commitment to everyone who works for us and alongside us.

2019 priorities

- meet our strategic goal of a reduction in our TRIR
- engage more meaningfully with our subcontractors and labour supply to ensure an aligned approach to safety culture and management
- transition from OHSAS 18001:2007 to the new global safety management system standard ISO 45001:2018
- update and invigorate the processes associated with training, assessment and competency assurance within LATC

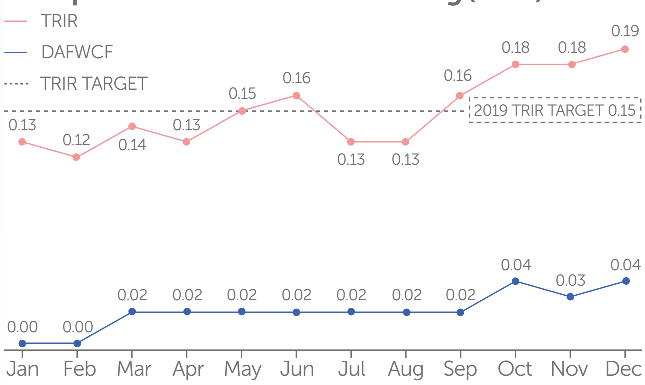
How we performed in 2019

- TRIR outcome of 0.19 vs target of 0.15, a respectable outcome considering the substantial operational ramp-up
- high-potential and asset damage incidents has reduced, helping to achieve 2019 KPI targets
- HSES engagement sessions with 11 subcontractor CEOs conducted; programme to continue in 2020
- achieved our safety management system transition to ISO 45001:2018
- LATC expanded and improved the quality of in-house training for both safety and technical trades training programmes

Priorities for 2020

- protect our workforce against COVID-19 including measures such as screening, testing, contact tracing and quarantine
- drive to reduce all types of incidents and target zero recordable injuries across our operations
- maintain our business-critical HSES certifications
- extend the delivery of our 'Safe Start' and 'Finishing Strong' philosophies to both internal and external stakeholders
- continue high-quality of training through LATC

HSES performance – 12 month rolling (2019)



Restructuring our approach to training and competency assessment

In 2019, the Group restructured its approach to training and competency assessment of yard personnel through its training centre, LATC. Commencing at candidate screening during recruitment, through HSES and trade training, assessment and post-deployment competency checks, Lamprell has instituted a robust, transparent and systematic process to ensure that all personnel engaged on our projects possess the optimum skills and knowledge to complete work safely and to the highest standards of quality, the first time.

Resulting from our improved rigour are much higher quality welds and a low weld repair rate of ≤ 1.5% per linear metre welded. This achievement helps Lamprell maintain a competitive advantage in discussions with clients and demonstrates the organisational benefits of close collaboration between multiple departments, all working to achieve the same shared objective.

13m+

man-hours worked across Lamprell sites in 2019 compared to 12m+ in 2018

8

hours of training per month completed on average per employee

Employee welfare

We are committed to the well-being and welfare of all our employees. We offer several regular corporate wellness initiatives underpinned by competitive employment benefits, and we want our employees to be happy and healthy.

2019 priorities

- leverage our strong funnel of well-being providers to drive the importance of good emotional and physical welfare
- assess our health insurance performance in areas where there are higher instances of claims, and focus on health optimisation initiatives for our employees
- a regular programme of 'healthy human' events and campaigns running throughout the year to ensure engagement
- diagnostic testing, preventative screenings and awareness programmes for a range of lifestyle-related conditions
- engagement opportunities for Board members with the wider yard workforce

How we performed in 2019

- finalist at the Daman Corporate Health Awards in the 'Social Well-being in the Workplace' category
- company-wide influenza vaccination programme with over 1,000 employees participating
- 'healthy heart' awareness campaign emphasising the importance of diet and exercise
- strong focus on emotional well-being including workshops on mindfulness and anxiety management with local specialists
- each Non-Executive Board member attended a yard employee welfare committee meeting during the year
- the Board had Q&A lunches with high-potential employees to hear their views and concerns on a range of issues

Priorities for 2020

- implement plans to mitigate the risk and threat of COVID-19
- raise awareness of and educate staff on COVID-19, the importance of social distancing and other related initiatives
- build on Board engagement across the wider organisation
- broaden the 'healthy human' programmes to include good financial health and promoting a positive wellness culture
- continue to promote emotional wellness
- drive stronger collaboration between insurers, healthcare providers and our workforce

Benchmarking against our peers

It is always important to benchmark progress against peers. Lamprell has participated in the Daman Corporate Health Awards for several years, winning three times previously in the 'Improved Corporate Health and Wellness Performance' category. In 2019 we entered the 'Social Well-being in the Workplace' category. Applicants were first invited to make a comprehensive online submission, with those shortlisted then invited to a panel presentation and interview. In our submission we were able to highlight our excellent safety performance and multiple well-being initiatives, as well as the English language programme of which we are hugely proud. Over 150 entries were received and we made it into the final seven in our category. Watch the video entitled *'Employee wellness at Lamprell'* on our website at **lamprell.com/media-centre/videos** to see our submission.

1,000+

employees participated in our influenza vaccination programme

150+

entries received at the Daman Corporate Health Awards; Lamprell made it to the top seven in its category

Environment

We ensure that effective environmental management forms part of our operating philosophy as we work to minimise our CO_2e footprint and promote a sustainable, values-driven organisation. In 2019, we implemented environmental initiatives with the aim of improving the sustainability of our operations.

2019 priorities

- protection of the communities in which we operate
- reduction of pollution from our facilities such as greenhouse gas emissions from burning diesel, fugitive emissions from welding, painting and blasting, ground contamination from landfilled waste and pollution of the marine environment from hydrocarbon spills
- diversion of the majority of our operational waste from landfill
- minimising our CO_2e footprint
- focus on core elements of international best-practice environmental management
- conduct internal and third-party audits to verify our environmental performance
- educate our workforce on the importance of effective environmental management

How we performed in 2019

- 31% reduction in annual gross emissions from Company operations thanks to a reduction in electricity and diesel consumption
- 36% reduction in annual tonnes of CO_2e emitted per man-hour worked from Company operations
- 81% waste recycling from operations
- zero environmental non-compliance events
- re-certification to the latest ISO:14001 2015 environmental management system standard with zero findings
- improved average carbon disclosure project score to C compared with a D in 2018
- annual UAE beach clean-up held with 60 employees and partners participating; cleaning up over 400 kilogrammes of rubbish

Priorities for 2020

- maintain or improve operational intensity CO_2e emissions level
- bid for new renewables projects, to assist in the global drive to reduce CO_2e emission levels
- improve stakeholder engagement for sustainability issues
- commence implementation of lifecycle-based analysis of products and services
- maintain 100% environmental compliance across all operations
- ensure continued environmental protection with effective pollution prevention across all operations

Successful avoidance of approximately 380 tonnes of CO_2e emissions

As a result of the ECMs which have been implemented at Lamprell, such as the optimisation of heating, ventilation and air conditioning controls in our buildings, compressed air system energy use optimisation and the consolidation of several different buildings where personnel work, in 2019 we were successful in achieving energy savings of 0.86 million kWh. This equates to the avoidance of approximately 380 tonnes of CO_2e emissions which is equivalent to removing 80 average-size cars from the road for one year. Energy conservation and CO_2e footprint reduction are two of the key environmental priorities for Lamprell. The impact that the installed ECMs have on bottom-line operational savings as well as CO_2e emissions assists the Group in remaining cost-competitive while reducing the carbon footprint of the organisation. Lamprell will continue to identify and implement ECM opportunities across its operations to contribute in efforts to tackle risks of climate change.

400

kilogrammes of litter collected during annual beach clean-up day

0.86

million kWh saved in 2019, which is equivalent to removing 80 cars from the road for 12 months

Quality

At the heart of everything we do, our focus is on delivering high-quality products and services that exceed our customers' expectations through robust training, quality audit programmes, digitised quality management systems and process improvements.

2019 priorities

- revised Quality Policy with an emphasis on leadership, people, performance and integrity, all driving towards customer satisfaction
- digitisation of quality management systems, data and measurement with an updated portal called 'LamQ'
- deepening the quality culture within the organisation through incentive and competition-driven campaigns
- retention of existing and acquisition of new international and regional certifications
- incremental welding technology enhancements
- development of in-house non-destructive testing capabilities

How we performed in 2019

- over 170 quality audits were conducted, resulting in process improvements being identified
- as part of digitising quality, our bespoke quality portal 'LamQ' was launched
- training programmes and quiz competitions were conducted throughout the year to further educate the workforce
- our annual quality awards programme was launched to recognise employees who have made exceptional contributions in demonstrating high quality standards
- successfully retained all key certifications and acquired API Q1 and API 4F PSL2 for Hamriyah's land rig division

Priorities for 2020

- focus on 2020 quality improvement plans and supporting the Company strategy
- continue the programme of quality awareness, training and engagement initiatives
- continue next development stage of 'LamQ', Lamprell's quality portal
- continue digitisation of our quality management systems to ensure compliance with the Fourth Industrial Revolution 'Quality 4.0' system
- research and develop a plan for new welding technology, its process and execution
- acquisition of ISO/IEC 17020:2012 certification to demonstrate independence of non-destructive testing services

Educating our employees through interactive quiz competitions

As a part of our ongoing efforts to drive quality and excellence throughout the organisation, Lamprell hosted two quiz programmes which centred on creating better awareness and understanding of the Company's policies and procedures. An online monthly quiz was kicked off in July last year as well as a live quiz show 'Lamprell Procedure League', where departments challenged each other with questions derived from their opponent's policies and procedures. These competitions are one of many ways in which Lamprell is driving a culture of quality through the organisation.

170+
quality audits conducted throughout 2019

7
business-critical certifications successfully retained

Operational and financial review
Streamlining our operations

"Despite strong operational execution and moderate year-on-year revenue growth in 2019, our financial position is currently under severe pressure until we return to revenue levels sufficient to absorb our overheads base."

2019 revenue

USD 260.4m

Net cash*

USD 42.5m

as at 31 December 2019

* Refer to APM reconciliation on page >> 144

Operational update

Revenues for the year increased moderately to USD 260.4 million (2018: 234.1 million). Operations in Hamriyah and Sharjah focused heavily on the Moray East project. As such, the EPC(I) segment contributed the majority of revenues for the reporting period – USD 167.2 million.

Having received steel for the 48 Moray East jacket foundations in Q2 2019, the project quickly ramped up through the summer months, with welding well under way by the third quarter of the year. Upending of jackets commenced in early 2020 in time for delivery at the quayside in Hamriyah from March 2020. Our previous experience in renewables allowed us to modify the yard set-up to achieve a robust improvement in our process efficiencies and to reduce operational risk on this and future similar projects. This required an incremental investment in machinery and equipment, as well as our yard layout, which now allows us to process material for renewables projects through the production chain faster.

At USD 24.8 million, revenues in the rig segment were lower than in the prior year (2018: USD 76 million) and relied on walk-in work rather than revenues from major projects, as was the case in previous years. In total, we received 13 new rigs for a variety of upgrade and refurbishment works, some for larger scopes of work, which underpins our view that there are some limited opportunities for disciplined contractors in the offshore oil & gas industry.

Our contracting services division, which includes the site services, O&M and Sunbelt Safety Services businesses, had a stronger year having generated USD 68.5 million, up from USD 58.3 million in the previous year. This was driven primarily by additional work coming from our long-standing clients in the UAE, where there was increased onshore activity.

Business improvements

We continued our efforts in 2019 to embed lessons learned from previous projects and our Six Sigma initiatives as a way to reduce project execution costs and make us more competitive. Given the improved efficiencies and capabilities that we have developed and seen, and the unpredictable market situation, we recently actioned a series of significant self-help measures aimed at reducing our overheads and cost base. The Jebel Ali facility was mothballed in February 2020 and we are planning to exit the Sharjah facility as soon as current works on the Moray East project are complete. The Group has also undertaken a significant headcount reduction in both corporate functions and operations as we consolidate our activities within one yard. Further to this, additional steps were taken in April 2020 in order to conserve cash and protect the business against the threat of COVID-19 >> 29.

We anticipate that the initial round of measures will translate into an overhead reduction of USD 22.5 million plus a further saving across all cost centres of approximately USD 10.0 million arising from the COVID-19 additional 'self-help' measures for the full year 2020.

Bid pipeline and backlog

Our bid pipeline remains in line with the prior year at USD 6.2 billion (2018: USD 6.4 billion), of which USD 1.4 billion is represented by prospects and bids in the renewables market and USD 4.8 billion for oil & gas projects.

Our backlog was USD 470.1 million as at the period end (2018: USD 540.0 million). This includes the formal award from IMI for the first two rigs, which will be fabricated primarily in our yards in the UAE and are in the backlog with a value of USD 352 million.

Margin performance

We report a gross loss of USD 27.6 million for 2019, down from the prior year (2018: gross losses of USD 9.1 million). The loss is driven by continuing low revenue levels, which were insufficient to recover operational overheads, as well as an additional loss of USD 28.8 million on the EA1 project which reached commercial close-out in April 2020. Group EBITDA from continuing operations in 2019 amounted to USD (64.6) million (2018: USD (35.1) million), with an EBITDA margin of (24.8)% compared to (15.0)% reported in 2018 (comparative EBITDA not adjusted for IFRS 16 effect, see page >> 144).

Finance cost and financing activities

By the end of 2019 our debt had reduced to USD 20.1 million, thus also reducing the net finance cost (excluding interest expense on leases) to USD 3.0 million (2018: USD 3.5 million). Gross finance cost (excluding interest expense on leases) reduced to USD 4.0 million (2018: USD 5.7 million). The Group repaid its outstanding debt on 11 March 2020 and is assessing a number of options for future project funding, as a key priority for the Company and wider business.

Net loss

Our loss attributable to equity shareholders for the year ended 31 December 2019 was USD (183.5) million (2018: loss of USD 70.7 million). The losses are driven by a number of factors, namely the continuing low revenue levels, a significant non-cash asset impairment of USD 79.3 million (of which USD 66.1 million was based on the year-end review of the business' intangibles and PP&E plus USD 13.2 million related to Sharjah yard assets as a result of our overhead restructuring programme, see Note 41 >> 141 for more details), the additional cost associated with performing all outstanding works to completion and the increased costs incurred by our subcontractor in Belfast, our share of the IMI losses (amounting to USD 8.4 million), as well as investment in bidding and upskilling our personnel (which was critical to our ability to address the intensive requirements of the Saudi Aramco LTA programme but we have been able to reduce in 2020 as part of our cost-cutting measures).

The fully diluted loss per share for the year was 53.71 US cents (2018: loss per share – 20.67 US cents).

Capital expenditure

Operational capital expenditure increased to USD 20.8 million, compared to USD 10 million in 2018. This mainly derived from the investment required to achieve the above-mentioned material throughput efficiencies to deliver projects in the renewables industry. Given the anticipated activity levels in our yards in the medium term and the need to manage cash carefully, we have taken a decision to halt any major operational capital expenditure until our balance sheet returns to strength. There was no investment made in the IMI maritime yard during the year ended 31 December 2019. To date, Lamprell has invested USD 59.0 million of the USD 140 million committed. We have commenced negotiations with the other IMI shareholders regarding the deferral of the next instalment of our strategic capital expenditure in the Saudi maritime yard scheduled for this year.

Cash flow and liquidity

The Group's net cash flow from operating activities for the full year ended 2019 reflected a net outflow of USD 7.8 million (2018: net outflow of USD 125.1 million), which was driven by working capital funding for the EA1, Moray East and other projects. Prior to working capital movements and the payment of employees' end-of-service benefits, the Group's net cash outflow was USD 45.6 million (2018: outflow of USD 28.2 million). Cash and bank, term and margin deposits decreased by USD 37.3 million to USD 62.5 million. Net cash increased shortly after the period end with the receipt of the advance payment on the IMI rigs but has decreased since then due to supply chain commitments.

Balance sheet

Due to commercial close-out of the EA1 project continuing into 2020, our net cash position for the year ended 31 December 2019 was USD 42.5 million (2018: USD 80.0 million). The pace of cash reduction has slowed down due to improved operational performance and we have significantly reduced our capital expenditure budget.

In January 2020, the Group received a major down-payment of USD 87.9 million on the first two rigs subcontracted to Lamprell through the IMI joint venture. The project will utilise the Super 116E rig kits held in inventory at a value of circa USD 69.6 million, which will be converted into cash over the project duration.

Operational and financial review
continued

Negotiations regarding monetisation of the LAM2K land rig kit, which has a carrying value of USD 12.7 million on the balance sheet, continue with potential clients.

The Group's total current assets at 31 December 2019 were USD 229.7 million (31 December 2018: USD 313.3 million). Trade and other receivables decreased to USD 37.4 million (31 December 2018: USD 68.1 million). Contract assets decreased to USD 40.4 million (31 December 2018: USD 54.9 million). Shareholders' equity reduced to USD 211.4 million (31 December 2018: USD 393.0 million).

Borrowings

In 2019 the Group repaid the outstanding term loan of USD 20.1 million. The USD 30 million debt facility for general working capital purposes was extended on a step-down basis during Q1 2020 but has now been fully repaid, meaning that the Company therefore holds no debt.

Debt refinancing

Our balance sheet has allowed us to win and successfully execute major work in 2019 and support our bid pipeline. However, in order to achieve our strategic objectives, there is a requirement for the Group to improve its financial liquidity and to strengthen our balance sheet.

Our existing debt facility was fully repaid in March 2020 and securing new bank facilities has remained challenging in the credit markets. As a consequence, we are assessing opportunities for alternative sources of debt until the Group returns to a cash generative position. Discussions around alternative financing options are ongoing with various potential sources of finance, notwithstanding the impact of COVID-19 and turmoil in oil & gas market further discussed below. The Group remains focused on achieving a level of financial performance which will support an efficient and prudent capital structure.

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis as further discussed in Note 2.1. In performing their assessment of going concern, the Directors have considered forecast cash flows for the 15 months to July 2021. The key assumptions included in the forecast cash flows over this period are: completion and signing of a refinancing agreement in the fourth quarter of the year (noting conventional debt refinancing remains challenging in the regional credit market and we are assessing opportunities for alternative sources of debt until the Group returns to a cash generative position), a major renewables project award in the first half of the year, as discussed in the CEO's review and expected receipts therefrom consistent with historical payment terms, receipt of a portion of the restricted cash relating to the EA1 project performance guarantees following the final contract settlement announced on 23 April 2020, execution of existing major projects in accordance with the milestone payments, no further cash investment in IMI in the period to mid-2021, and capex, staff and other overhead reduction as required, and ongoing revenues from contracting services and rig refurbishments in line with that achieved in recent periods. Consistent with conditions being experienced across the industry, the uncertainty due to the turmoil in the oil & gas market worsened by the impact of COVID-19 may materially affect these assumptions, particularly the timing of a refinancing, new major contract awards and/or our ability to meet project milestones in the event of compulsory closure of our yard(s) by the relevant jurisdictional authorities. At the date of approval of these financial statements, our yards continue to operate though these have been moderately affected by lockdown and social distancing measures in the UAE so far. If the pandemic increases in magnitude and duration, the continuation of these circumstances could result in an even broader economic downturn which could have a prolonged negative impact on the Group's financial results. Notwithstanding the measures implemented by the Group to prevent and/or detect the virus, the variety of possible outcomes related to the course of the pandemic and its adverse impact on the regional and global economy represents a material uncertainty.

The Directors believe that the timing and realisation of these assumptions are reasonable and reflect their assessment of the most likely outcome. However, the timing and realisation of these matters are not wholly within management's control and so the Directors have also considered downside sensitivities to the key assumptions which include no new significant contract wins in the going concern period and the inability of the Group to secure a refinancing (see also the viability statement opposite >> 39). The Directors have concluded that, in aggregate, such matters beyond management's control represent a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. Significant disruption to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business. In view of this, the Directors have considered the realistic availability and likely effectiveness of mitigating actions that they could take to avoid or reduce the impact or likelihood of a significant deterioration in the cash flows including those detailed in the viability statement opposite. Following consideration of these actions, the Directors are satisfied they have appropriate available mitigating actions in place to maintain the Group's liquidity in the short term. However, the Directors highlight that current market circumstances influenced by the COVID-19 pandemic and the global oil price crash, together with assumptions in management's forecast which are outside their control, represent material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern.

Dividend

In the context of ongoing market challenges, the low revenue levels in 2019, current balance sheet pressures and the impact of the COVID-19 pandemic, the Directors do not recommend the payment of a dividend for the period in relation to financial year ending 31 December 2019. The Directors will continue to review this position in light of market conditions and Group performance at the relevant time.

Post balance sheet events

See Note 40 on page >> 141 for events that have taken place post the balance sheet date.

Tony Wright
Chief Financial Officer

Viability statement

1) Assessment of prospects

Lamprell's strategy and business model are central to an understanding of its future prospects. Lamprell has been operating for more than 40 years and its business model >> 14 has proven to be resilient and able to withstand previous project cycles. However the market downturn has been prolonged and very difficult for some years, and now there are added risks in COVID-19 and the low oil price environment which are having a detrimental effect on the broader economy and capital investment decisions by clients.

Our strategy >> 16 centres around the delivery of offerings in EPC(I), rigs and contracting services to clients in the renewables and oil & gas markets. Our business model allows us to implement the strategy. Further, as is the norm in our sector, cost control and providing a competitive, on-time product are also critical to the long-term viability of the business and these have continued to be focus areas in 2019, considering the challenges faced in prior years. Decisions regarding major new contract bids take account of a review of the key risks and are subject to an escalating system of approvals up to and including the Board.

The Company highlighted various strategic objectives to measure its performance in implementing the strategy and there has been considerable progress during the course of 2018 and 2019. They are medium term in nature, as is appropriate for a defined strategy, and the Board will continue to monitor developments and set new targets depending on progress against our goals. The highest priorities in the near term are the refinancing for the business and conversion of our solid bid pipeline into new contract awards. The Group's prospects are assessed primarily through an annual review of the strategy and budget, led by the CEO and Executive Committee. The Board participates through a dedicated strategy review each year as well as an assessment of progress against the objectives during regular meetings. Given the Company's liquidity position, the Board spent considerable time during its 2019 meetings assessing cashflow developments, available financing options, overhead cost reduction scenarios, capital recycling levels and other financial ratios.

These metrics are subject to sensitivity analysis which involves flexing the main assumptions underlying the forecasts to understand the impact on cash flows and working capital requirements. While the balance sheet remains solid, access to conventional debt refinancing remains challenging in the regional credit market and we are assessing opportunities for alternative sources of debt until the Group returns to a cash generative position.

Per the Code and taking into account the Group's principal risks >> 42, the Board determines the prospects of the Company over a longer period than the 15 months required by the going concern statement. An assessment period of three years continues to be appropriate because: the strategic review covers a period with visibility on likely prospects for the coming two to three years; most major projects undertaken by the Group last for up to two years; the long-term incentive awards for management are structured around a three-year performance period; and the Company has a reasonable ability to evaluate its likely backlog for a period of two to three years.

The key assumptions in the financial forecasts, reflecting the overall strategy, are as set out opposite in the going concern statement >> 38. The Directors recognise that future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. As such, they have considered the realistic availability and likely effectiveness of mitigating actions that they could take to avoid or reduce the impact or likelihood of a significant deterioration in the cash flows including:

- potential alternative financing options with various potential sources of funding;
- negotiations with the other IMI shareholders regarding the deferral of the next instalment of our strategic capital expenditure in the Saudi maritime yard scheduled for this year;
- self-help measures including consolidating our operations into a single facility, reduction of salaries and allowances, headcount and other non-staff overheads, use of deferred salary savings scheme and where operationally feasible, placing staff on reduced working hours or unpaid leave
- reduced level of capital expenditure; and
- sale of non-core businesses or assets.

2) Assessment of viability

Although the strategy reflects the Directors' best estimate of the Group's prospects, the Board also reviewed certain scenarios which stress-tested the viability of the business in severe but plausible scenarios, taking account of potential impacts of the Group's principal risks and uncertainties >> 42. Specifically, the Directors reviewed those principal risks which they determined could prevent Lamprell from delivering on its strategy or threaten its ability to continue in business in the near term, as detailed in the table below. Given the heightened sensitivity of the model to these risks in particular, the Directors have concluded that, in aggregate, such matters beyond management's control represent a material uncertainty as highlighted in the going concern review in Note 2.1. While the Board believes that there is a reasonable prospect of the Company being able to address the individual risks, significant disruption to the timing or realisation of the anticipated cash flows arising from the above assumptions could result in the business being unable to discharge its liabilities as they fall due. Depending on when the assumptions above are resolved satisfactorily there can be no certainty that the Group will be viable throughout the whole review period.

Principal risk	Base case	Downside case
Economic conditions	One new win in the next 15 months	No new wins in the next 15 months 25% reduction in service business revenue due to COVID-19 and oil & gas turmoil
Ability to fund the business	Refinancing successful though delayed to Q4 2020 due to effects of COVID-19 and turmoil in oil & gas on financial markets	Refinancing not successful
Project execution	Additional costs due to COVID-19	Additional costs due to COVID-19

Risk and risk management

Lamprell's risk management processes have been developed to ensure that key risks to the Group's strategic objectives are identified, assessed, appropriately communicated and ultimately managed.

Our approach to risk management

A comprehensive review of corporate risk registers is completed every quarter by our functional leadership teams and the Executive Committee to ensure key risks are understood, managed and appropriately mitigated. Top risk management performance metrics are subsequently reported to the Audit and Risk Committee on a biannual basis. As of 31 December 2019, 94 key risks across the Group's functions are under monitoring by management.

Following the lessons learned on the EA1 project, the Group has taken steps to improve its bidding and estimation processes, including the identification and quantification of risks that must be managed effectively as part of project execution. The proposal risk assessment process is adaptable and may involve a bottom-up, comprehensive risk identification and assessment exercise involving subject matter experts and subsequent quantitative analysis of potential schedule and cost impacts. The resulting bid risk profile and consolidated risk quantification is taken into consideration during execution strategy development and bid pricing.

The lessons learned and the above-mentioned risk management process improvements have been implemented on the Moray East windfarm project. The project management team conducts regular reviews of risks to ensure the achievement of schedule, cost, HSE and quality objectives on a bi-weekly basis and they develop, monitor and track completion of related risk management action plans.

Lamprell's approach to risk management is decentralised. Risk management focal points are embedded within our department, project and bid teams who execute the risk management process. This is overseen by the commercial and risk management department which also provides training. The network of embedded risk focal points is key to ensuring effective management and internal communication of risks.

All corporate, project and proposal risk registers are stored in our risk management information system, which is the central depository for risk management information. The system enables us to assess the position of our business and project risks at any given time, and the system provides a valuable audit trail of our management of risks through their lifecycle.

Risk governance

Risk management is conducted using both bottom-up and top-down approaches to cross-check the results. Business objectives and risk action plans are agreed and executed by the relevant functional leadership team. Project risk management is executed by the project management teams, with comprehensive risk identification, analysis and reporting activities being undertaken regularly. Significant risks identified in these processes are reviewed by the Executive Committee and may, depending on the assessed severity, subsequently be reported to the Audit and Risk Committee.

Board view of risk

The ultimate responsibility for the Group's risk management processes and oversight of risk management governance lies with the Board of Directors. The Board considers the level of risk that is deemed acceptable in pursuit of strategic objectives, balanced against the need for business development and the pursuit of growth opportunities which may have an inherently higher degree of risk.

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Risk governance process

Audit and Risk Committee

Biannual review of top Company risks by the Audit and Risk Committee

Q2 and Q4 of each year

Executive Committee

Quarterly update of functional risk registers and review by the Executive Committee

End of each quarter

Functions and projects

Continuous monitoring and management of functional and project risks

All year

Emerging risks

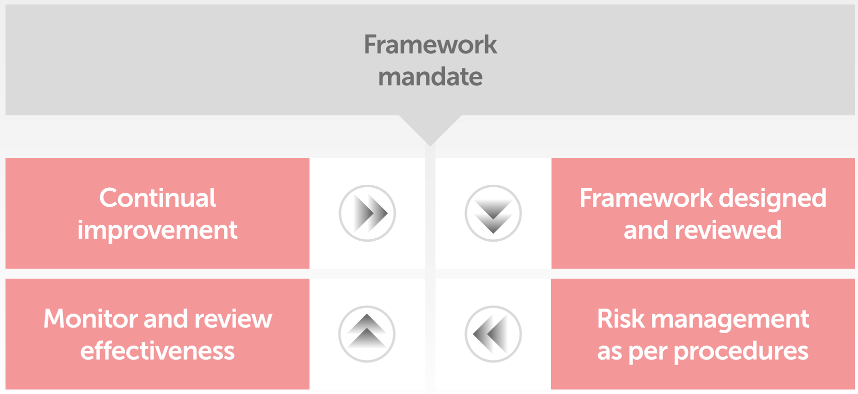
At the time of publication, businesses and governments around the world have been attempting to overcome the impact of the COVID-19 virus. In March 2020, this virus was labelled a global pandemic by the World Health Organization and has interrupted logistics, restricted people movement and increased supply chain costs. The virus has had some direct impact on Lamprell's operations already >> 28 and a small number of employees have tested positive. However, our yards have remained open and operating, albeit after implementing numerous measures to mitigate the threat of COVID-19, in compliance with the UAE regulations. These include remote working for admin employees, screening, testing and isolation for personnel identified as having potentially been exposed to the virus, social distancing requirements and frequent communication/interfacing with the local UAE authorities. These measures are being reviewed on a real-time basis as the health crisis develops.

The energy industry is seeing a pivot towards Asian suppliers, whose growing technical capability and low-cost production are increasing competition and proving an increasingly attractive option for clients. Combined with continuing low oil prices and limited investment, the markets in which Lamprell operates are therefore becoming increasingly aggressive, with associated pressure on expected revenue and margin. To stay competitive, Lamprell must provide low-cost, high-quality products and services, failing which it will not win new project awards and costs will be wasted in unsuccessful bids.

Lamprell's supply chain may be disrupted if suppliers become financially distressed as a result of the extreme market pressures. Distressed suppliers may become incapable of delivering the required product or service on time and within budget due to financial instability, insolvency, logistical constraint, or prolonged downturn in business activity. Our team conducts due diligence and financial health checks on suppliers, aiming to ensure our operations are not impacted.

In light of the risk around climate change, the Company has already taken some measures to reduce its carbon footprint and pivot towards the renewables market. However, with increased consumer expectations of a transition to low-carbon operations, and implementation of the Task Force on Climate-related Financial Disclosures applying from 2022, this is another area of focus for the Board in the coming years.

Our risk management framework



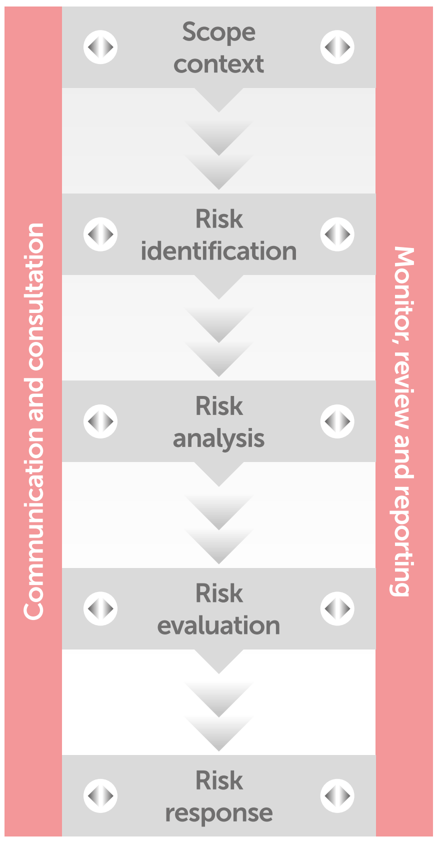
Our risk management framework

Lamprell's risk-managed framework is mandated by the Board, which oversees the ongoing implementation of activities under two key risk management procedures. Our project risk management procedure covers risk management activities for both proposals and active projects, while the corporate risk management procedure governs how our departments manage risks to business objectives and how such risks are reported to the Executive Committee and the Audit and Risk Committee. Our commercial and risk management department monitors the effectiveness of the framework to ensure it remains fit for purpose. In addition, Lamprell's internal audit department independently audits the implementation of the framework.

Our risk management process

In the initial stages of the risk management process, efforts are made to understand the context, scope of work, or activity upon which the risk assessment is based in order to focus on risk identification. Identified risks are analysed in terms of probability of occurrence and impact, and on a gross pre-mitigation and a net post-mitigation basis. Possible risk treatments are then evaluated depending on the severity of the risk, and detailed risk response plans are developed, where necessary. Finally, risk registers are monitored and reviewed regularly, with functional and project risk profiles being reported to management on a regular basis. Lamprell's risk management process closely aligns to the ISO 31000 risk management methodology.

Our risk management process



Principal risks

Risk impact and likelihood:
■ High ■ Medium ■ Low

Strategic risks

Risk description	Business implication	Mitigation
1 Economic conditions Energy price volatility, market uncertainties and COVID-19 could lead to cancellation of bid pipeline prospects. **Risk impact:** Strategy ■ Business model ■ **Risk likelihood** ■ **Risk owner:** Business development **Risk change from last year:** Increased	Project awards may be significantly delayed and/or cancelled due to the prolonged downturn seen in the oil & gas market, which has been further depressed by the oil price collapse in early 2020. The threat to the broader market has been exacerbated by the impact of the COVID-19 global pandemic. Such instability leads to ever more cautious spending habits. In addition, trade or tariff disputes or Brexit could negatively impact our commercial advantage for sales in the UK or Europe. **Link to strategy:** Demand for our products and services underpins the entire business.	• We aim to have a diversified portfolio in multiple market sectors. • We actively maintain and develop a robust bid pipeline with strong business development capabilities, particularly focused on the UAE and Saudi Arabia where capital expenditure is continuing. • Use of our client relationship management system ensures that we retain regular contact with our clients. • Active investigation of potential partnerships/alliances expands our offerings and diversification of territories. • Overhead reduction measures to maintain our competitiveness.
2 Mergers and acquisitions An opportunistic transaction could significantly alter the intended strategic direction of the Group. **Risk impact:** Strategy ■ Business model ■ **Risk likelihood** ■ **Risk owner:** Board of Directors **Risk change from last year:** Increased	With the prolonged downturn, delayed award of projects and low levels of backlog, we could see an opportunistic approach for purchase at a suppressed price. This could override current strategic objectives or result in a loss of traction in the marketplace. **Link to strategy:** Change in ownership structure can result in change in strategy.	• We have set out clear plans to achieve our strategic objectives and measured progress against them in 2018 and 2019. • Lamprell's largest shareholder can act as a veto to hostile approaches based on unreasonably low valuations. • Professional advisory and broking team actively advising the Board and senior management. • We actively maintain a robust bid pipeline with high bidding activity to demonstrate a positive growth strategy.
3 Ability to win work Failure to provide reliable, on-time, competitive solutions for new projects. **Risk impact:** Strategy ■ Business model ■ **Risk likelihood** ■ **Risk owner:** Business development **Risk change from last year:** Unchanged	Our potential inability to offer a competitive product or service could negatively affect our reputation amongst current and target clients. We are dependent on a relatively small number of contracts at any given time and our ability to retain current clients and compete successfully depends on our ability to provide on-time, low-cost, high-quality products and services. If we fail to do so, both technically and commercially, we will not win new awards. Success in contract awards is also currently threatened by COVID-19 which can restrict our processes or operations. **Link to strategy:** Opportunities in our key markets are targeted by multiple, competitive bidders.	• A highly customer-focused business development team targets our key clients and markets. • We leverage our high-quality and safety-conscious culture. • We work to ensure that benchmarking and estimating tools are current, to provide competitive pricing. • Dedicated internal initiatives have been implemented to improve cost control, productivity and overall efficiency. • Embedded project and proposal risk management processes improve our chances of meeting project objectives and winning work suited to our strengths.

Financial risks

Risk description	Business implication	Mitigation
4 Ability to finance business Lack of available funding options threatens our ability to continue as a going concern and/or deliver our strategic objectives. Risk impact: Strategy ■ Business model ■ Risk likelihood ■ Risk owner: CFO Risk change from last year: Increased	Successful implementation of business goals depends on a reasonable level of working capital and there has been a significant reduction in our net assets due to recent losses. In addition, conventional debt funding is not readily available in the region due to the tough market conditions. If we cannot rely on our resource base such as cash, and if we cannot raise adequate new debt or equity funding, this threatens the near-term liquidity and/or the long-term viability of the business. Link to strategy: Funding for companies operating in the oil & gas market are more limited than those in the renewables space.	• The Company works to maintain strength in its balance sheet. • Net cash position of USD 42.5 million as at 31 December 2019. • We are considering all potential financing options to fund the business and future growth. • Effective cash management processes in place and operating. • Strong relationships with financial advisers to access funding options. • Levers pulled in our drive to align the cost base with our revenue levels, as we work to become cash generative.
5 Counterparty credit risk Delayed receipts threaten viability of supply chain. Risk impact: Strategy ■ Business model ■ Risk likelihood ■ Risk owner: CFO Risk change from last year: Increased	Clients may demand extended payment terms, delay payment excessively or even stop payments entirely because of their own cashflow issues. Such actions may result in Lamprell suffering losses or reduced revenues, as it would need to fund the working capital from its own balance sheet, or be at risk of disputes with suppliers who are exposed to liquidity issues themselves. This is even more prevalent in a market where all parties are working to conserve cash and to protect themselves against the global economic deterioration caused by COVID-19. Link to strategy: Contractors depend on timely payment for working capital.	• Put financial security measures or guarantees in place wherever possible, both with clients and suppliers. • Negotiation of contract terms to avoid negative cashflows, and enforce through effective contract management. • Effectively manage supply chain payments, through vendor review and digital registration systems. • Credit checks through established service providers for new counterparties. • Project team liaises closely with finance department to highlight all delays to payment of invoices. • Target top-tier clients and financially-sound supply chain service providers.
6 Geopolitical Instability and political tension in emerging market regions. Risk impact: Strategy ■ Business model ■ Risk likelihood ■ Risk owner: Executive Committee Risk change from last year: Unchanged	We have a strong presence in the UAE and Saudi Arabia, and we rely on suppliers in these countries as well as Asian steel mills. Therefore, an unstable political business environment may adversely affect our business plans. We are subject to the conditions of operating in emerging markets, where contract enforcement may be difficult, or which may be prone to corruption issues or an inability to contain external factors. Link to strategy: Companies in the supply chain rely on uninterrupted delivery.	• Regular input from advisors for any key changes in regulatory or contractual regimes. • Strong partner relationships developed, especially in our core markets of the UAE and Saudi Arabia. • HSESQ regularly monitors and advises on health, security and political risks. • Major operations take place in the UAE, which is considered to be politically and financially stable. • Appropriate due diligence is performed on a diverse range of suppliers.

Principal risks
continued

Risk impact and likelihood:
■ High ■ Medium ■ Low

Operational risks

Risk description	Business implication	Mitigation
7 Project execution Failure to deliver projects on time and on budget, in accordance with the contract requirements, due to poor performance or external factors such as COVID-19. Risk impact: Strategy ■ Business model ■ Risk likelihood ■ Risk owner: Operations Risk change from last year: Increased	Failure to execute, project manage and deliver a project in accordance with contractual terms and conditions may expose us to additional costs, damage to reputation, losses or reduced revenues. This is particularly relevant as we diversify into new markets and product offerings where additional execution risks can arise. Spread of the COVID-19 virus could affect our ability to execute our projects, directly with our workforce or through the supply chain. Poor execution may also negatively impact our reputation with clients and the wider stakeholder base. Link to strategy: Our clients expect delivery of high-quality, on-time products and services.	• Our robust bidding and estimation procedures account for all relevant costs and remove barriers between departments. • Embedded project risk management and proposal risk assessment procedures as well as lessons learned from previous projects. • Upskilling of the existing workforce and additional experienced resources hired. • Additional health screening and education measures in place at our facilities. • Implementation of 'self-help' measures to contain/respond to the COVID-19 threat. • Development of strong relationships with clients, to better understand their needs.
8 Cyber threats IT systems could be disrupted by successful cyber-attacks. Risk impact: Strategy ■ Business model ■ Risk likelihood ■ Risk owner: CFO Risk change from last year: Increased	Our business and operations both rely heavily on our IT network and systems including, in particular, the enterprise resource planning software. These could fail to operate effectively or be subject to disruption/cyber-attacks, and there are also inherent disruption risks as we migrate some or all of our IT systems to the cloud. Without an effective and efficient IT network and systems, we would not be able to execute our projects and would suffer reputational and financial damage accordingly. Link to strategy: Digitisation is a strategic objective to improve efficiency and generate new revenues.	• There are regular upgrades to our IT security software and internal controls, creating layers of protection and segregation of duties. • Independent security review and penetration testing to check for weaknesses and test robustness of the system. • Awareness campaigns rolled out across the workforce about information security/cyber threats. • Enterprise resource planning software is run by leading service provider Oracle. • Development and implementation of a digitisation strategy to provide the business with additional protection against cyber threats, and also potentially to expand revenue streams.

Legal risks

Risk description	Business implication	Mitigation
9 Contractual commitments Onerous contract terms prevent the development of a robust execution plan. Risk impact: Strategy ■ Business model ■ Risk likelihood ■ Risk owner: Legal Risk change from last year: Unchanged	The continuing market downturn has led to clients adopting an increasingly firm line on contractual terms, meaning that we may be obliged to take on additional risks under contract which historically have been negotiated away. If we then fail to properly mitigate this contractual liability in other ways, it could lead to us incurring additional costs or losses, which could affect our overall financial performance. Link to strategy: Strategic objectives must adapt to reflect market conditions and client expectations around contracts.	• A thorough risk analysis of contract terms and conditions is implemented, with the development of appropriate mitigation or risk management strategies where possible. • Upskilling and employee training programmes to improve project execution. • Implementation of the 'lessons learned' on previous projects aims to avoid repeats of any identified inefficiencies. • Risk management plans are developed and actively implemented across all projects. • Active contract management from initial bid, through project handover and until final completion of each project.
10 Third-party alliances Ineffectual management of alliances. Risk impact: Strategy ■ Business model ■ Risk likelihood ■ Risk owner: Legal Risk change from last year: Increased	To conduct business in certain jurisdictions, we rely on key relationships with local partners, agents and the members of joint ventures and consortia. Ineffective management of these relationships or weak partners could leave us exposed to additional contractual and/or execution liability, or make our operations in certain jurisdictions uncompetitive. Link to strategy: To move up the value chain, we need to rely on our partners to provide complementary offerings.	• All agreements have a clear strategic goal and are documented through a formal contractual process. • Advice is obtained from external experts where necessary. • We work to build and maintain strong partner relations at senior management level. • The Board has oversight of all proposed and current joint venture/consortium initiatives, and challenges all such proposals with the strategic objectives in mind.

Chairman's introduction to corporate governance

"With the changes arising from the 2018 Code, I am pleased to confirm that Lamprell has applied the Code's principles and complied with its provisions last year."

Dear Shareholders

It is my responsibility as Chairman to ensure that Lamprell is governed and managed, not only in accordance with the Code, but more importantly in the best interests of our shareholders and wider stakeholders. Your Board is committed to maintaining the high standards of corporate governance which are fundamental to discharging our responsibilities, and these derive from a culture of transparency and constructive challenge.

The new Code has put more emphasis on the Company's purpose, stakeholder engagement, compensation structures and the strengthening of corporate culture. These were all key agenda items considered by your Board in 2019 as well as the ways to enhance disclosures in this 2019 Annual Report. This report sets out our governance framework and explains how our activities as a Board throughout the year have supported the Company's strategy.

Purpose, values and culture

Our purpose, values and resulting culture are interdependent and we are proud of the culture that exists at Lamprell. Our values define our behaviours and frame the everyday business decisions based on a culture of honesty, curiosity and high performance. We are driven by open communication; we ask our workforce to be enquiring and to challenge the way things are done. Above all, we aim to deliver safe, high-quality products and services – the stronger our performance, the more we can accomplish, so we want our employees to excel and we want to recognise their achievements. These values and drivers help to create trust between Lamprell and our many business partners. We are just one cog in the global energy industry, but we aspire to be one that all stakeholders can rely on with confidence.

Leadership through strong governance

Over the last two years, we have made good progress on our strategy but, as Directors, we have to balance the need to address near-term issues with achievement of the long-term growth strategy. A prime example was the focus on capex approvals: we updated the Company's policy to give the Board closer oversight, but then only sanctioned those capex requests which were considered to be integral to delivery of our strategic objectives. Similarly, in early 2020 the Board approved the overhead restructuring to reduce our cost base and then the subsequent 25% reduction in salaries and fees in response to the impact of the COVID-19 virus on our business.

Through the Audit and Risk Committee, we continued the 'deep dives' into specific enterprise risks >> 42: these included an in-depth review of our digital venture initiatives which represent both a risk and an opportunity for us. We have identified digitisation as an area which could contribute significantly to our future growth; however we are also sensitive to the potential capital investment which may be required to deliver the ventures. We are leading the business through a tough period as we take the necessary steps to set the Company on a path to profitability.

Board succession planning

There is an increased emphasis on Board succession in the Code and we hoped to have made greater progress in this area by appointing a NED with regional experience. We were aiming to strengthen our presence and visibility among stakeholders in the region. This has been put on hold temporarily due to the need to manage overhead costs. In the meantime, the Nomination and Governance Committee established a clear structure for Board succession planning with a gap analysis on the Directors' respective skillsets and, following a tender process, chose the search firms with the capabilities and networks best suited to meet our strategic needs going forward. This will be invaluable when we re-activate the NED recruitment process and consider the timing for refreshing the Board.

Shortly after the end of 2019 Nick Garrett, one of our NEDs, decided to step down from the Board. I would like to thank Nick for his hard work and insights during the three years that he was on the Board.

Board effectiveness

Following a tender process run by the Nominations and Governance Committee last year, we considered using an external firm to facilitate our annual performance evaluation process. On balance, we concluded that our internal process remained effective and undertook a formal review to evaluate the performance of the Board, Committees and Directors using that methodology.

Once again, the results demonstrated that the Directors had approached the challenges of 2019 in a constructive and collaborative way. I spoke to each of the Directors about their individual performance and provided specific ways to enhance their contribution in 2020. I was similarly pleased to receive feedback from Debra Valentine, as Senior Independent Director, on behalf of my colleagues.

The Board also found it useful to step back and consider its performance in a more immediate way and so, after Board meetings, I encouraged my colleagues to consider their effectiveness during the meeting. It is the sign of a high-performing and trusting Board that we were able to deliver an honest assessment of each other in this way.

Stakeholder engagement

Our success is dependent on the Board taking decisions having regard to the views of all of our stakeholders, especially our staff. In light of the business structure, we concluded that it would be most effective to engage with our workforce by designating a NED to participate in our employee welfare committee forums prior to each Board meeting. This proved to be effective, not only because the designated NED could summarise the employees' concerns during the subsequent meeting, but it also raised the visibility of all the NEDs (rather than a single one). This structure was received very positively by employees and the Board has agreed an enhanced programme of engagement for 2020. On page >> 24, you will find further information on how we have engaged with all of our key stakeholders.

Capabilities and talent development

We recognise a key priority is to develop the skills of our workforce, retain those enhanced competencies and to maintain the Group's own capabilities, particularly at this time of overhead reduction. Your Board has gained insight from various initiatives designed to build teamwork within executive management and their key reports, which were overseen by the Remuneration and Development Committee. This provided the Directors with a range of views on the future of the business from a broader cross-section of the management team.

We invested heavily in 2019 on recruiting experienced personnel to ensure that we could bid competitively and on a risk-informed basis in the renewables market and in EPC(I) projects. While we have recently released some individuals, the Company's processes and systems have been strengthened to retain our enhanced capabilities.

Compliance with the 2018 Code

The Directors present their report on the affairs of the Company and the Group together with the financial statements and the auditor's report for the year ended 31 December 2019. The Company applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code (available from www.frc.org.uk) (the 'Code'). Further information on these governance matters can be found as follows:

Principal risks and uncertainties

Our risk management processes ensure that key risks to our strategic objectives are identified, assessed, appropriately communicated and ultimately managed.

Read more on page >> 42

Composition, succession and evaluation

We aim to refresh Board membership to bring new experience and independence, as well as regularly assessing our effectiveness as the leadership body within Lamprell.

Read more on page >> 58

Board of Directors

Each Director is experienced and skilled, and possesses a good understanding of the key drivers and strategic objectives for the business.

Read more on page >> 48

Audit, risks and internal control

We have developed strong links between risk management, internal control and audit activities to ensure that governance systems and processes within the business continue to be robust.

Read more on page >> 62

Board leadership and Company purpose

The Board takes a leading role in directing the business according to high standards of corporate governance, as per the Code.

Read more on page >> 50

Remuneration, including Directors' remuneration report

Our Remuneration Policy for 2019-2022 provides a compensation framework which is measurable, challenging and aligned with our strategic objectives.

Read more on page >> 66

Division of responsibilities

We have a division of responsibilities between each role, which is clearly defined and effective.

Read more on page >> 56

Statutory information and Directors' statements

We are responsible for preparing the Annual Report and the 2019 financial statements in accordance with all applicable laws.

Read more on page >> 80

Looking ahead to 2020

I would like to thank our investors and all our stakeholders for their continued support of Lamprell, and to thank my colleagues on the Board and our management team for their efforts to lead the business through the current difficulties.

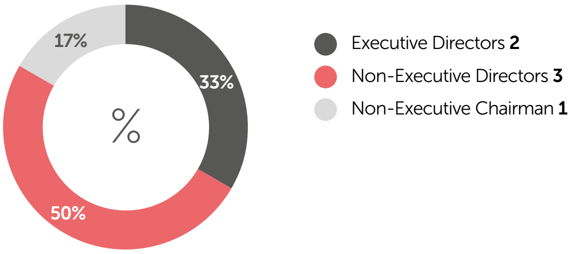
As we consider the outlook for 2020, including the threat of COVID-19, the oil price collapse and the challenges faced by global economic markets, we are presented with significant challenges to the way that the business operates. The Board has been forced to take some tough decisions >> 28 as the Company aims to weather this storm. However, in the process of making those decisions, we remain committed to maintaining high standards of corporate governance and, above all, improving the financial position and overall performance of the Company.

John Malcolm

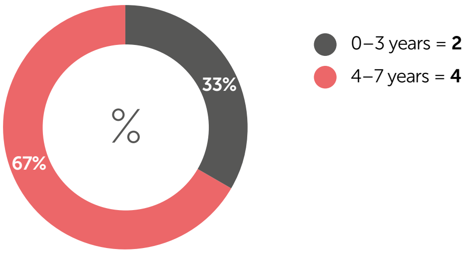
Non-Executive Chairman
12 May 2020

Our Board of Directors

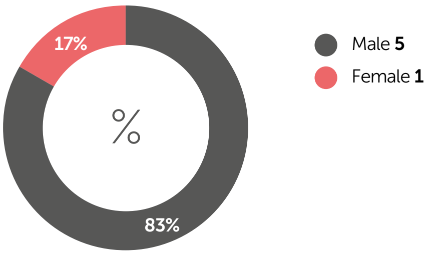
Board compostion



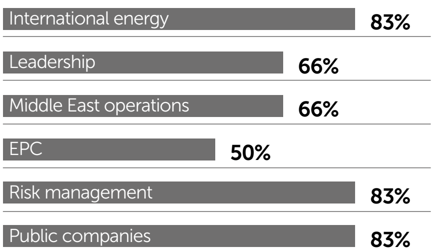
Tenure



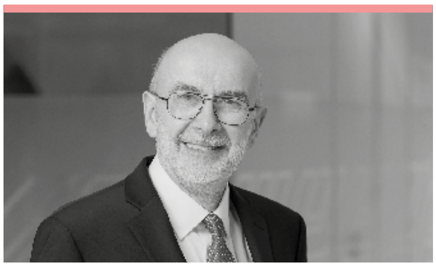
Gender



Board strengths



- Committee Chair
- A Audit and Risk Committee
- R Remuneration and Development Committee
- N Nomination and Governance Committee



John Malcolm
N

Non-Executive Chairman
Appointed: May 2013

Key strengths: strong background of leadership in energy businesses, particularly in the Middle East region; experienced in renewables

Experience: After 25 years with Shell, John Malcolm retired in 2010 to become an independent consultant to the energy industry. During his tenure at Shell, he held several senior positions including Managing Director for Petroleum Development Oman. In 2015 he joined Oman Oil Co. Exploration and Production as Executive Managing Director. Dr Malcolm is a Chartered Engineer with the UK Engineering Council and has a PhD in Process Control Systems from Heriot-Watt University which he obtained in 1975.

Debra Valentine
R A N

Senior Independent Director
Appointed: September 2015

Key strengths: a leader in legal and compliance matters, as well as risk management, in corporate and regulatory context; expert in public companies

Experience: Debra Valentine has experience in heavy industries having led government relations, governance, risk and legal functions across global jurisdictions. She also has expertise in competition and anti-trust issues. Ms Valentine worked at United Technologies Corporation and as a partner with the law firm O'Melveny and Myers, as well as serving as general counsel at the US Federal Trade Commission from 1997 until 2001. Most recently, she was Group Executive, Legal and Regulatory Affairs for Rio Tinto. Ms Valentine has an AB magna cum laude from Princeton University, a JD from Yale University, and is a member of the District of Columbia Bar, the Council on Foreign Relations and the American Law Institute.

Christopher McDonald

Chief Executive Officer
Appointed: October 2016

Key strengths: acted in senior executive management roles for many years; strong in business development and innovation

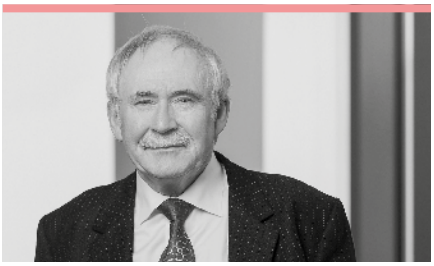
Experience: Christopher McDonald has over 25 years' experience in the EPC and oilfield services sectors. Before joining Lamprell, Christopher held the position of Executive Vice President with Petrofac. From 2007 to 2010, Mr McDonald co-founded and helped to run a boutique private equity firm in London. Prior to that he spent 18 years with Halliburton/KBR, starting his career in engineering and then a sales function before becoming Vice President with responsibility for the KBR Development Co. and the KBR/JGC gas alliance, during which time he served on the board of MW Kellogg Ltd. Christopher has a Bachelor's degree in Mechanical Engineering from Cornell University.

Tony Wright

Chief Financial Officer
Appointed: August 2015

Key strengths: financial acumen for contracting companies and in a listed company environment; worked extensively in the Middle East

Experience: Tony Wright joined Lamprell in January 2013 as Vice-President, Finance and in November 2014 he stepped into the role of Deputy CFO, followed by a promotion to Chief Financial Officer in August 2015. Mr Wright is a qualified Chartered Certified Accountant with over 15 years' experience working in the oil & gas and construction industries. From 2010 Mr Wright worked with Leighton Holdings Group in Malaysia and the UAE, and thereafter with the Habtoor Leighton Group. Prior to joining Leighton, he spent five years as Group CFO with Dubai-based oilfield EPC firm, Global Process Systems. When in the UK, Tony held senior finance positions with Input/Output Inc. and the Expro Group.



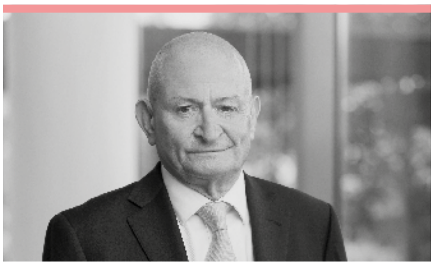
Mel Fitzgerald

N A R

Non-Executive Director
Appointed: August 2015

Key strengths: proven track record in a C-suite role for EPC(I) companies operating in the energy sector; deep knowledge of risk management in operations

Experience: Mel Fitzgerald has over 30 years' experience in the energy industry. Mr Fitzgerald served as CEO and Board Director at Subsea 7 for seven years until 2012 and has a Bachelor of Engineering from the University of Ireland and a MBA from the University of Kingston. He is also a chartered engineer. In July 2015 Mr Fitzgerald was awarded an honorary doctor in Business Administration (HonDBA) by Robert Gordon University in Aberdeen in recognition for his contribution to the UK oil & gas industry.



James Dewar

A R N

Non-Executive Director
Appointed: November 2017

Key strengths: a recognised leader in financial and accounting matters, particularly for public companies in energy markets

Experience: James spent nearly 30 years working in the oil & gas industry, notably as VP Transformation and VP Global Financial Systems for BP, and as Group CFO for Dana Gas PJSC. Mr Dewar retired in 2011 to take up Board and advisory positions for companies operating in the energy sector including PICO International Petroleum Corporation and Cheiron Petroleum in Egypt, Equus Petroleum PLC in London and Kazakhstan, and Viking International in the UAE. In many cases he acted as chair of their audit committees, driving world-class corporate governance at board committee level. Mr Dewar has a Bachelor's degree in Accountancy and Marketing from Strathclyde University and is a member of the Institute of Chartered Accountants of Scotland.

External appointments

John Malcolm	Owner of JMLM Consulting SPC
Tony Wright	Director/owner of DTTW Ltd.
Mel Fitzgerald	Director/shareholder of Cathx Ocean; Director Control Cutter
James Dewar	Non-Executive Director for Cheiron Petroleum Corporation

Report on corporate governance
Board leadership and Company purpose

Our purpose, values and culture

At Lamprell, we provide best-in-class project services and solutions for the energy industry. With this purpose in mind, the Board leads the business through the implementation of a strategy which is aligned with our core values, strong governance structure and culture. In combination, these key foundations for the Company will contribute to its long-term sustainable success and achieve its wider objectives.

Our core values

Our values unite us, define our behaviours and ensure we maintain the highest standards in our business. We exercise and demonstrate them in everything that we do as we care about the safety of our people and the quality of our products and services.

Safety – We deliver world-class safety performance and leave nothing to chance so everyone goes home safely.

Fiscal responsibility – Because every employee influences our costs, we are all accountable to ensure that we achieve the most cost-effective solutions.

Integrity – We conduct our business honestly, with professional integrity, fairness and transparency, and we are open and ethical in our day-to-day dealings with all stakeholders.

Accountability – We deliver what we say we will.

Teamwork – We strive to work together with our stakeholders and believe great teams can achieve incredible things.

Culture

Lamprell's culture is defined through its core values and its Business Code of Conduct (available on our website). Our leaders have a critical role in setting the tone of our organisation and championing the behaviours we expect to see. Executive management, led by the CEO, presented to employees during the year to highlight our values and beliefs; our culture is visible through the honest communication in our employee engagement initiatives and our health, safety and well-being measures. We regularly assess the state of our culture, through performance reviews and compliance reporting; and we address behaviours if they fall short of our expectations.

How we are governed

How the Board operates

The Directors are collectively responsible for the strategic direction of the Company, which is implemented within a robust governance framework. This is essential for progression towards the long-term sustainable success of the Company and the generation of value for all our stakeholders. The Board typically makes decisions based on recommendations from management or one of the principal Committees. It is therefore important that reports to the Board are comprehensive, requests for approval are clear, and that the Board has visibility of both the relevant risks and the views of stakeholders in respect of the subject matter. The Code anticipates that the Board will take into account the considerations set out in section 172 of the UK Companies Act 2006 when making decisions. While this law does not directly apply to the Company as an Isle of Man company, our Board complies with the Code and looks to apply best practices and acts to promote the long-term success of the Company for the benefit of our key stakeholders >> 24. By way of example, a 2019 Board priority was to hold a Board meeting in Saudi Arabia as a means to build closer ties to a key strategic market; however with the heightened geopolitical tensions in the region, it was decided to postpone this plan until tensions have abated. The Board is looking at other ways to engage in 2020, taking account of the COVID-19 pandemic.

It is a core principle for all that there is an effective working relationship between the Directors and, between the Board and management to the level of Executive Committee and below. The Board is therefore ably supported by its principal Board Committees and several management-level committees, (see opposite for details). In addition, there are regular discussions outside scheduled Board meetings, particularly between the Chairman and the CEO, as well as between the Chairman and the NEDs, with a view to reaching a mutual understanding of views prior to wider discussions at meetings.

At all 'in person' Board meetings, there is a dedicated agenda item for a private session between the NEDs and the Non-Executive Chairman, without any executives being present.

Conflicts of interest/integrity

Under the Code, throughout 2019 at least half of the Board (excluding the Chairman) was comprised of independent NEDs who are free from any relationships that could materially interfere with the exercise of their independent judgement in respect of Company business. At the beginning of each year, each of the independent NEDs (Debra Valentine, James Dewar and Mel Fitzgerald) confirms their independence to the Company. The Board considers that each of them has been and continues to be independent, as defined by the Code.

Integrity is a Company core value. Each Director works to avoid any actual or potential conflict of interest and will promptly declare such conflict if one arises. This enables the Board to assess the possible impact of any conflict and take appropriate and timely action. The following procedures are in place for dealing with conflicts:

- any new Director is required to provide information on any conflicts of interest by means of a questionnaire prior to appointment;
- conflicts are declared and addressed during Board meetings and noted in the minutes; and
- for conflicts arising between Board meetings, these are submitted to the Chairman for consideration prior to deliberation at the next meeting.

No conflicts of interest were noted from the Directors during 2019 save that each Director was excluded from any discussions or decisions around his or her remuneration. All conflict management procedures were adhered to and operated effectively.

There are also various policies and procedures which support the core value of integrity, notably the Whistleblowing Policy and the multi-lingual, secure whistleblowing hotline which enables any employee to report ethical breaches, irregularities or simply concerns on a confidential basis without any fear of recrimination. The Audit and Risk Committee receives regular reports on any investigations into whistleblower reports and makes a report to the Board on the same.

Governance structure

Culture, vision, values, Business Code of Conduct, global policies

Global mandatory procedures

Local jurisdictional policies and procedures

The Board

Has ownership of the global policies. Provides leadership and direction for the Group. Sets overall strategy and oversees its implementation. Ensures appropriate systems and processes are in place to monitor and manage Group risk. Responsible for financial performance and corporate governance

Board committees

Support the Board in its work with specific review and oversight. Each Committee is responsible for reviewing and overseeing activities within its particular terms of reference. The chairman of each Committee provides a summary at each scheduled Board meeting of any Committee meeting held since the previous meeting

Nomination and Governance Committee

Takes primary responsibility for succession planning, Board composition

Read more on page >> 60

Audit and Risk Committee

Monitors the integrity of the Company's financial statements and its financial and regulatory compliance, and oversees risk management

Read more on page >> 64

Remuneration and Development Committee

Sets Remuneration Policy and compensation levels for members of senior management and drives talent development for wider management

Read more on page >> 66

Ad-hoc Board committees

Set up for defined, time-specific tasks, ordinarily with a NED as chair

Chief Executive Officer

Primarily responsible for running the business with the objective of creating shareholder value

Chief Financial Officer

Responsible for the financial stewardship, navigation and control activities of the Group as well as for investor relations

Management-level committees

Responsible for the communication and implementation of decisions, administrative matters and matters for recommendation to the Board and its Committees

Executive Committee

Disclosure Committee

Bid Approval Committee

Quality and HSES Management Review

Project managers

Responsible for executing and delivering projects

Function managers

Departmental heads for enterprise-wide support services

Project teams

Structured around project execution

Function teams

Departmental policy and procedures

Board leadership and company purpose
continued

What the Board did in 2019

Each Board agenda covers key subjects as well as standing agenda items and strategic topics for discussion at relevant times of the year or as a result of current business requirements. In all cases, most Board discussions focus on topics in pursuit of the Company's strategic objectives **>> 16.**

Strategy and business performance

- agreed the steps for implementing the strategy at a formal strategy day
- reviewed progress against the strategy and especially the strategic objectives for the Saudi Arabian market during regular Board meetings
- received updates on potential business opportunities and market conditions in the renewables and oil & gas industries at each meeting
- received presentations on new strategic digital venture opportunities
- received detailed operational updates, including regular updates on the EA1 and Moray East projects
- approved bids on various major prospects and other matters, as per our delegated authority framework

Leadership and people

- confirmed the internal promotion of the Group's new Chief Operating Officer
- considered the results from the annual Board evaluation process and approved the actions and Board priorities for financial year 2019
- oversaw talent development initiatives for senior management and aligned compensation packages to such initiatives
- training on regulatory and governance matters impacting the Group and the wider operating environment from the Deloitte Academy and Ashurst LLP
- received regular reports on the recommendations of the principal Board Committees

Financial matters

- approved the 2019 budget and monitored performance against budget, forecast and market expectations
- approved the Group's full and half-year financial statements and determined they were fair, balanced and understandable
- considered at length the Group's financial performance and prospects of the Group, including treasury management
- reviewed frequently the Company's financial reporting obligations, including consideration of cashflow assumptions, impairment reviews and the going concern assessment
- received updates on the refinancing options and the Company's debt facilities
- revised and approved the Capex Approvals Policy for the business

Governance and risk

- regular meetings between the Chairman and NEDs without the executives being present
- reviewed and approved the enterprise risk management report and mitigation plans
- received presentations on cyber security, supply chain management and the prolonged industry downturn risk from relevant senior managers
- approved the updated Matters Reserved for the Board and each Committee's terms of reference
- regularly reviewed legal update reports on matters impacting the Group
- reviewed and approved the Group's Modern Slavery and Human Trafficking Policy Statement and Diversity and Inclusion Policy, for publication and commitment to compliance across the business
- reviewed and approved the Notice of AGM and key market disclosures

Stakeholder views and consideration

- discussed feedback from meetings between various major shareholders held with the CEO, CFO, Chairman and Senior Independent Director
- considered shareholder feedback in decisions such as Board succession planning and the strategic objectives for the Saudi Arabian market
- NED attendance at yard employee welfare forum, feeding back to the subsequent Board meeting
- kicked off the concept of lunches between high-potential employees and the Board
- our brokers (JP Morgan Cazenove and Investec Bank plc) presented our investors' views of the Company and its strategy to the Board and our investor relations team gave an in-depth presentation on the feedback from analysts following the March roadshow

Board leadership and company purpose continued

Shareholder engagement

Shareholder communications in 2019

January	February	March	April	May	June
Pre-close trading statement		Preliminary results announced	Annual Report published	AGM attended by all Directors	
		Sell-side and buy-side roadshow			

Key to communications with our shareholders

- Corporate presentations, market announcements including trading updates and contract wins, and other Company information on our website at **www.lamprell.com**
- Regular, ongoing dialogue and phone calls with major shareholders and analysts
- Regular press releases regarding Company's business

The Board is committed to maintaining good communications and building positive relationships with all our stakeholders; we see this as fundamental to building a sustainable and successful business through effective and fully-informed decision-making.

Engagement with shareholders

The Board identifies that shareholders are a key stakeholder group and seeks to obtain feedback and understand their views throughout the year. Investor relations activities are primarily handled by the CEO and CFO, with the support of a dedicated investor relations team, and the Company's joint corporate brokers, JPMC and Investec. Shareholder views are provided to the Directors at each Board meeting. In addition, equity analyst opinions are obtained after the full-year and half-year financial results, following investor/analyst roadshows and in the regular course of Company announcements and business updates, and these are summarised to the Board. With the Company increasingly pivoting towards the renewables market and new geographies such as Saudi Arabia, it was helpful to obtain shareholder views at these timely junctures prior to the dedicated strategy day in November 2019. There is strong support from our shareholder base for the Company's strategy in light of the global energy transition away from fossil fuels.

All the Directors met as a group with representatives from the largest shareholder, Lamprell Holdings Limited, in May 2019. The Chairman, Senior Independent Director and CEO also met with representatives from other major shareholders of the Company on specific issues at other times in 2019. Notably, the Senior Independent Director engaged with shareholder representatives to seek their feedback in the lead-up to the 2019 AGM, as a means to understand the level of support for the Company's new Remuneration Policy.

In late 2019, Lamprell hosted a group of major shareholders and analysts for a site visit at its Hamriyah facility. This included a walkthrough of the Moray East project site, where they saw first-hand the recent efficiency improvements in the yard. Special focus was given to the welding robotics technology that is being evaluated and developed.

The CEO and the CFO present scheduled updates to the market at the half-year, as well as annual results. These presentations are webcast and can be accessed, along with other materials, on our website.

Significant shareholders

As at 12 May 2020, being the latest practicable date prior to the publication, the significant interests in the voting rights of Company's issued ordinary shares, based on the last request for confirmation as to the beneficial ownership of voting rights in the Company (at or above 5%), were as follows:

	Voting rights attaching to issued ordinary shares	% of total voting rights
Lamprell Holdings Limited	113,182,291	33.12
Blofeld Investment Management	57,624,535	16.86
Schroders plc	45,167,447	13.22
MFS Investment Management	24,006,597	7.02
Lombard Odier Asset Management (UK)	18,695,731	5.47

Lamprell Holdings Limited and its ultimate owner, Steven Lamprell, are considered as 'controlling shareholders' for the purposes of the UK Listing Rules and so were required to enter into an agreement with the Company to ensure compliance with the independence provisions set out in the Listing Rules (Controlling Shareholder Agreement). This agreement regulates the ongoing relationship between the Company and these controlling shareholders and represents a key component of the Company's corporate governance structure. The Company has complied with the independence and all other provisions in the Controlling Shareholder Agreement. So far as the Company is aware, the controlling shareholders have also complied with the independence and all other provisions in the agreement.

July	August	September	October	November	December
Pre-close trading statement		Interim results announced	Analyst site visit		
		Sell-side and buy-side roadshow			

Annual general meetings

The Company held its 2019 AGM in the UAE and all Directors attended and stood for re-election, as required by the Code. All resolutions were passed (for more details on the AGM results, please see our website) and the Board was particularly pleased to note that the new Remuneration Policy for 2019-2022 was approved by 99.2% of the shareholders, at a time when there is increased scrutiny by shareholders on such matters. The Board took note however that the 2018 Report on Directors' Remuneration was approved by 83.3% of shareholders. The Board is not complacent about remuneration issues but rather has worked to receive a higher level of support for the 2019 Report on Directors' Remuneration.

The Company plans to hold its next AGM on 25 June 2020. Due to the threat of the COVID-19 virus and the anticipated travel restrictions, attendance will be limited to the minimum number of members required to form a legally quorate meeting. As such shareholders are strongly advised to adhere to the government guidelines and not attend the meeting in person this year. It is also expected that there will be limited Company attendance at the AGM for the same reasons. Shareholders are also encouraged to submit their votes by proxy, which will be the basis for approving resolutions at the AGM. In addition, any shareholder wishing to submit a question for consideration by the Directors is invited to submit questions to **investorrelations@lamprell.com** and this will be addressed by the Board. Per the Code, all Directors have submitted themselves for re-election. Full details are set out in the Notice of Meeting which accompanies this report and is also available on our website.

Engagement with other key stakeholders

There has been an increased focus by the Directors on identification of and engagement with the Company's key stakeholder groups in 2019 >> 24; NEDs have engaged more directly with the Group's workforce by attending the regular Lamprell employee welfare committee forum – traditionally a primary conduit for the yard staff to voice concerns about the business or employee welfare matters. These concerns are now communicated directly to and considered by the Board, including highlighting diverse concerns such as upcoming projects, camp security and hygiene conditions in the facility canteens, which the Board directed management to address to the extent possible. At management's suggestion, the Board started a new initiative to hold informal lunches with high-potential employees. This had the twin benefits of allowing the Board to communicate with and assess those employees expected to progress into future senior managers and also hear their views on near-term issues.

The Executive Directors cascade key messages down the organisation regularly via many channels, as well as through electronic communication campaigns coordinated by the Corporate Communications team and directly by way of the CEO townhall meetings. The townhalls are typically held after the release of the financial results and take place at our main facilities in the UAE. The CEO summarises key developments affecting the business and the Company's strategic objectives, followed by a question and answer session for staff to voice issues directly to the CEO. In 2019, with the prolonged market downturn continuing, there were understandably many questions from employees around the Company's strategy and measures being taken to remain competitive. In addition, we publish Lampreltimes, an internal newsletter, which highlights business developments and employee welfare matters, as well as interviewing key staff.

Given the Company's purpose >> 3 and strategy >> 16, Lamprell occupies an important position in the energy industry's supply chain and therefore engages significantly with two other key stakeholder groups frequently – its customers and its suppliers. The VPs for the business development and supply chain management departments are the primary interfaces for them and both presented to the Directors during 2019. The Board provided direction for measures to be implemented, particularly in relation to engagement with major clients in key target geographies for the Group.

Division of responsibilities

We have clear segregation of responsibilities between the leadership of our Board, which is overseen by the Chairman, and the leadership of our business, which is managed by the CEO.

Chairman

- provides effective leadership for the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information to enable informed decision-making
- is responsible for ensuring the integrity and effectiveness of the Executive/Non-Executive relationship including meetings solely with the NEDs
- promotes a culture of open debate, effective contribution and challenge for all Directors
- communicates regularly with the CEO and the Company Secretary to stay informed
- ensures effective communication with key stakeholders, for Directors to understand their views, and the section 172 Companies Act 2006 factors, in Board discussions
- responsible for ensuring effective Board governance and maintaining high standards of corporate governance

Chief Executive Officer

- responsible for the leadership of the Group and day-to-day management of the business, including the execution of the Group's strategic objectives, its business plans and setting attainable goals and priorities
- acting as the primary conduit for communications with the shareholders and other key stakeholder groups, including investors, clients and government agencies
- chairs the Executive Committee and leads the management team in running the Group's business and managing its enterprise and business risks
- leads the processes for communicating with, and listening to, the workforce
- develops proposals and recommendations for consideration by the Board on all areas reserved for its judgement and ensures the Board is fully informed of all key matters
- develops Group policies for approval by the Board and ensures implementation

Chief Financial Officer

- responsible for the financial stewardship, navigation and control activities of the Group
- ensures effective financial reporting, processes and controls are in place
- recommends the annual budget and long-term strategic and financial plan
- oversees investor relations activities for the Company
- develops and implements the Group's finance strategy and funding
- maintains relationships with lenders and corporate brokers
- responsible for the delivery of IT strategies and plans

Senior Independent Director

- acts as a sounding board for the Chairman
- is available to shareholders to answer questions which cannot be addressed by the Chairman or CEO
- appraises the Chairman's performance annually
- acts as an intermediary for the other Directors

Non-Executive Directors

- ensure an effective counterbalance to executive management on the Board
- support executive management, whilst providing constructive challenge and rigour to all recommendations presented to the Board, based on their experience and expertise
- review the integrity of financial information, controls and risk management processes
- review the succession plans for the Board and key members of senior management and set the Remuneration Policy and packages for senior executives and the Chairman
- contribute to the development of and monitor the progress of the strategy implementation
- bring sound judgement and objectivity to the Board's decision-making process
- set the Remuneration Policy for the executive management

Company Secretary

- acts as Secretary to the Board and its Committees
- provides the Directors with advice and assistance on all governance, legislation and regulatory matters
- ensures that all Board materials and other resources are delivered in a timely and confidential manner, to assist the Directors with effective decision-making
- facilitates the Board evaluation, induction and development processes

Roles and responsibilities

Each role is clearly defined and is quite distinct, which ensures a continuing robust governance framework and a decision-making process that no single individual can dominate. At the date of publication, the Board has six Directors comprising the Chairman, three NEDs and two Executive Directors, their biographies are available on page >> 48.

Overall effectiveness of the Company

Each year the Board reviews its effectiveness as required under the Code, both formally as part of the annual performance evaluation process, and also informally during each in-person board meeting. The formal evaluation review was undertaken internally. It covered the Board, individual Directors and each of the principal Board Committees, and examined Board activities, interaction and processes. The Board has concluded that it remains effective in its processes and performance.

Board meetings and attendance

Recognising the needs of the Company, the Directors will agree in advance a planned set of meetings in person and also by conference call, where required, in order to receive an interim update on ongoing key issues. Certain conference call meetings may only require a limited number of Directors to formally approve matters discussed previously by the full Board.

Meetings in person generally take place over the course of two days, in the UAE (during 2019), and will ordinarily include meetings of both the Board and the principal Board Committees. All Directors are provided with full papers in advance of each meeting. Management team members will often attend parts of a Board meeting, delivering presentations and making recommendations in respect of certain operational or business matters. In this way, each Director is able to gain an in-depth understanding of business-critical functions as well as understanding the direct views of the presenting managers, in addition to the views of the CEO and/or the CFO.

Board meeting attendance

Name of Director	Board meetings attended (out of possible total)	Strategy days attended (out of possible total)
John Malcolm	**9** (9)	**2** (2)
Christopher McDonald	**11** (11)	**2** (2)
Tony Wright	**10** (10)	**2** (2)
Debra Valentine	**11** (11)	**2** (2)
Mel Fitzgerald	**8** (8)	**2** (2)
James Dewar	**9** (9)	**2** (2)
Nick Garrett	**8** (8)	**2** (2)

- Directors may be ineligible to participate in meetings if they are in the UK but may be invited as guests. On such occasions, they are not included in the quorum of the meeting and do not participate in the formal business.
- There were five meetings in person, with the remainder conducted by phone or by videoconference.

Principal Board committees

The Company has three principal Board committees – the Audit and Risk Committee, the Nomination and Governance Committee, and the Remuneration and Development Committee – and much of the Board oversight of the executive management team is conducted by delegation through these Committees. The Committee members discuss and approve matters transparently, in an environment of trust and using delegated responsibilities where that is more efficient. The terms of reference for each Committee are reviewed annually and made available on the Company's website.

While the Board ordinarily delegates specific aspects of its authority to each principal Board Committee, it retains final responsibility for all Company matters. In cases where a Committee is unable to operate effectively, the Board may take on the responsibilities for that Committee. For example, as a result of the travel restrictions arising from COVID-19 in 2020, the Board may have to take on some of the responsibilities of the Nominations and Governance Committee and/or the Audit and Risk Committee until each Committee can be quorate and is able to resume its full responsibilities.

The Company makes timely and accurate disclosure of all information in accordance with the Market Abuse Regulation and the regulatory requirements arising from its listing on the London Stock Exchange. This is overseen by the Company's Disclosure Committee, comprising the CEO, CFO and Company Secretary, although as per the delegation of authority, key announcements will be considered and approved by the full Board.

Composition, succession and evaluation

Appointments to the Board and induction

The Nomination and Governance Committee will lead a formal, rigorous and transparent process for any new Board appointments, which would typically also draw on the expertise of external search consultants. In 2019, there were no new appointments to the Board because of the current cost constraints. However, the Committee made significant progress in evaluating and appointing the specialist recruitment consultants who would support the Company in its search for a new NED with Middle Eastern experience – which has been identified as a key priority for the Board. After a formal tender, the Committee recommended that the Company appoints Spencer Stuart and Eton Bridge Partners for that purpose. It is expected that the search for the new NED will be reactivated at a later date when the Company's financial position improves, as a means for implementing some of the Company's strategic objectives.

As part of the joining process, the Committee will arrange for a tailored induction programme to welcome and introduce a new Director to the Company and this includes visits to the Group's main facilities in the UAE, presentations from key managers and a meeting with the Chairman and Company Secretary to discuss governance and regulatory matters, as well as Board procedural matters. The process is documented and will be reported upon the arrival of any new Director(s).

Board composition

Through the channel of the Nomination and Governance Committee >> 60, the Board assesses its structure, composition and breadth of experience regularly, and the Board currently considers that there continues to be a strong combination of industry, regional, financial and operational experience among the Directors, enhanced by the diverse professional competences of each Board member.

The Board aims to refresh its membership on a regular and phased basis in order to bring relevant experience and independence to the Board while at the same time ensuring continuity and stability. In support of our strategy, the Board has identified that it could potentially benefit in the future from a Director either with knowledge of the offshore windfarm market, experience in digital ventures and/or with a Middle Eastern background. However, the Board is not actively recruiting at the current time, given the market conditions and the continuing need to manage overhead costs tightly.

Service agreements and letters of appointment

Executive Directors are employed under Directors' service contracts with termination notice periods of not more than 12 months.

NEDs are engaged pursuant to letters of appointment which do not have fixed terms, but they are subject to re-election by the Company's shareholders at intervals of not more than three years. All NEDs currently serving were re-elected at the 2019 AGM. All existing Directors and new Directors will be proposed for election by the shareholders at the 2020 AGM.

Annual evaluation process

The Board had intended to make use of an external firm to facilitate its 2019 performance evaluation process but then decided to postpone that until a subsequent year, to help reduce Board overhead costs. It considered that its internally-driven evaluation process, conducted under the stewardship of the Nomination and Governance Committee, continued to be effective, deliver useful insights and help the Board to improve its performance. The evaluation included a review of the Board's activities, performance and teamwork and made use of an online questionnaire to provide feedback from the Directors and key managers.

The Company Secretary summarised the results of the evaluation in an aggregated and confidential report, which was used by the Board to assess the performance in 2019 and set the Board priorities for 2020. The Chairman held separate sessions with each Director to review their respective performances and the Senior Independent Director conducted a similar review with the Chairman on his performance.

Noting the financial limitations faced, there was still good progress by the Company on its 2019 priorities, as detailed throughout this Corporate Governance Report. The Board was particularly pleased with the deeper engagement between the Directors and the Company workforce, and with the improved processes for decision-making at Board level. The Board decided that the 2020 priorities should be structured as set out opposite. Given that gatherings are restricted due to COVID-19, the Board is looking at innovative ways to achieve the engagement priorities for 2020.

Diversity and Inclusion Policy

The Committee has focused previously on ways to improve the Company's gender diversity, adopted an updated Diversity and Inclusion Policy early in 2019 and will use this to encourage the hiring of new talent based on merit and with a wide range of relevant skills and experience, regardless of their background or gender.

Lamprell is committed to building its diversity pipeline as a long-term objective for the whole organisation. We believe that diversity creates a dynamic and creative environment which contributes to solving issues as they arise and thereby will support the future growth of our business. Diversity was a key factor discussed during the Board's strategy review day, and the Directors recognised the potential benefits of having regional representation on the Board. Accordingly, the Committee will take diversity into account when reviewing the Board composition.

Board priorities for 2020

Matters considered	Observation	Board priority
Converting our connections in key geographies into new business	Development of new prospects in the UAE and Saudi Arabia is central to Lamprell's strategy and so it is appropriate for the Group to develop deeper bonds with clients and business partners in each jurisdiction.	Implement ways to connect the Company with key stakeholders in the UAE and Saudi Arabia, for example, obtaining advice from experienced, regional personnel directly to the Board; holding meetings between the Directors, local partners and key clients; and considering appointing an Emirati or Saudi Director in the medium term.
Next phase of stakeholder engagement by the Board	Directors need to have direct engagement with key stakeholders, especially our workforce, our high-potential employees and shareholders. This demonstrates the Board's desire and commitment to hear their views and take account of them in decision-making processes.	Establish and implement a focused action plan for stakeholder engagement including meetings between Directors, major shareholders and key clients; and NEDs continuing to participate in the employee welfare committee forums.
Alignment of Board composition, succession and diversity with strategic objectives	This is a continuing matter, and the Board wanted to build on the foundations laid in 2018 and 2019, to ensure that Directors and key staff are developed to their full potential and properly incentivised to deliver the strategic objectives.	Oversight of the executive leadership training programme and provision of direct mentoring to senior managers. Formulation of the Board's own succession plan for the medium term, taking account of the need to refresh the Board.

Looking ahead as the Group grows and as new positions become available, the Board Diversity Policy commits the Group to:

- a corporate culture which hires candidates on merit based on the most appropriate range of skills and experience for a role, and offers equal opportunities for all employees, regardless of gender, ethnic origin, background or physical disabilities;
- secure senior leadership commitment to the diversity agenda and to raise awareness about the benefits of a diverse workforce;
- continue to require our external recruitment consultants to discuss their diversity policies with the Group before taking on any specific Board or executive management search;
- ensure that external consultants submit candidate shortlists reflecting an appropriate ethnic and gender balance, relative to the target recruitment market, for consideration by the Nomination and Governance Committee;
- nurture a pipeline of high-potentials covering a broad representation across the diversity spectrum;
- maintain at least one female Director on the Board and aim to increase gender diversity at the Board as opportunities become available; and
- an annual review by the Nomination and Governance Committee of its progress complying with the best practice recommendations for gender diversity.

Composition, succession and evaluation

Nomination and Governance Committee report

Key responsibilities of the Committee

- making recommendations to the Board regarding its succession planning, composition, skillsets and independence
- driving improved diversity and inclusion policies throughout the Group
- evaluating the impact of changes to the governance/regulatory environment and advising the Board accordingly
- overseeing the annual performance evaluation process

2019 Committee activities

- approved the updated Diversity and Inclusion Policy
- undertook a gap analysis of the skillsets of the existing Directors and developed a process for enhancing Board capabilities
- led the tender process for appointing external search consultants to support the Company's future succession plans
- reviewed and recommended the 2019 Modern Slavery Policy Statement for approval by the Board
- led the tender process for the use of an external facilitator in respect of the annual performance evaluation process and recommended a way forward to the Board

Priorities for 2020

- ensure that the next phase of the Board's stakeholder engagement is implemented in such a way as to develop closer relations with key stakeholders
- consider how best to enhance the capabilities of the Board, in particular via a formal Board succession plan based on the results of the gap analysis from 2019

Committee membership and attendance

Member	Meetings attended (out of total)
Mel Fitzgerald Committee Chair and Non-Executive Director	6 (6)
John Malcolm Non-Executive Chairman	6 (6)
Debra Valentine Senior Independent Director	6 (6)
James Dewar* Non-Executive Director	0 (0)

* James Dewar was appointed in March 2020.

Another busy year

The Nomination and Governance Committee had another busy year as it was directed by the Board to progress key priorities around succession planning and stakeholder engagement. There was disappointment that more progress could not be made in some areas, but the Committee recognised the importance of optimising overhead expenses at a time of lower revenues and maximising the use of the considerable expertise and experience of each of the Directors to achieve the Company's goals.

All three members attended all the Committee meetings that took place during 2019 (five in person and one by conference call), and the Committee was supported by the Company Secretary and the Group's VP of HR & Corporate Services, both of whom made several presentations and recommendations relating to the Committee's priorities.

Succession planning

The Committee dedicated considerable time to the future succession plans for the Board, where it has primary responsibility for the structure, balance, diversity and experience on the Board and Committees, and for assessing the succession planning needs at the senior management level.

Early in the year, the Committee recognised the need to approach Board succession planning requirements with two specific goals: how to identify a potential, new NED with suitable Middle East regional experience; and adoption of a process to align Board composition with changes to the Company's strategic goals, taking into account the skillsets of the current Directors. The goals could be progressed in parallel but the Committee considered that the second one was longer term in nature.

With the assistance of the VP of HR & Corporate Services, a gap analysis of expertise and experience of the current Directors was performed and cross-referenced to the Company's strategic objectives. Based on a candidate profile which responded to the results of the analysis, the Committee commenced a tender process for the appointment of external recruitment firms to support the Company in achieving the above goals.

This process included a desktop review of written proposals from six firms followed by face-to-face interviews with four short-listed firms, resulting in the Committee deciding to appoint Spencer Stuart and Eton Bridge Partners as the Company's external search consultants for Board and senior management appointments. The Committee was particularly impressed with the importance placed by these two successful firms on focussing on diversity during any processes to identify and propose prospective candidates. The Committee also makes use of the McNair Partnership as executive recruitment specialists for certain managerial positions.

All these firms have strong industry profiles, proven assessment processes and broad contact networks from which to source candidates. Neither Lamprell nor any of the Directors has or had any connection with these firms. The Committee is planning to take further steps towards the goals in 2020 with the support of these firms.

Key stakeholder groups

The 2018 Code requires that the Board have clear visibility of all stakeholder groups and of how the Board as a whole or individual Directors engage with key stakeholders >> 24, and to consider their views when making decisions on behalf of the Company. The Committee considered the current engagement activities (whether by management or the Directors) with the Group's stakeholder groups, to help the Board understand what additional actions, if any, might be required to further develop relationships with certain stakeholders.

The Committee noted that there had been excellent progress in 2019 in obtaining the views of the workforce by way of all the NEDs attending at a Lamprell employee welfare committee forum and discussions with various levels of management from the Executive Committee down. The NEDs provided feedback from staff to the Committee and the wider Board on key areas of concern, and agreed a detailed employee engagement programme for 2020 to build on this.

Enhancing Board capabilities

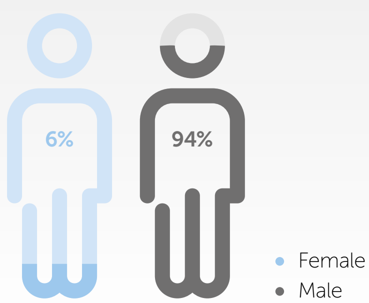
Last year, several of the Directors attended corporate governance sessions run by the Deloitte Academy, which were helpful to update and expand their skills in this area, and the key learnings were considered by the Board. All Directors are encouraged to attend relevant external seminars and in addition, in May 2019, our Company lawyers provided training on regulatory matters for quoted companies to the Board. This supplemented the regular updates from our professional advisors on industry and accounting matters, as well as the briefings provided by subject matter experts within our management team on digital technology opportunities and cyber security.

All Directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense, as needed. No Director sought independent advice during the financial year.

Governance and regulatory matters

The Committee was satisfied that the Company had complied with the 2018 Code during the year, and the Committee's terms of reference have been updated before being published on the Company's website. The Company Secretary provided updates on other regulatory developments including the Modern Slavery Act Policy Statement for 2019 and the inter-relationship between the Stewardship Code and the new Code, and how this might impact Lamprell's governance structure.

Gender split at manager level and above



In August 2019, the Committee members directly received a whistleblowing complaint. Ordinarily, such complaints are handled by the Audit and Risk Committee but, because of the direct approach, the Committee oversaw the investigation. The complaint was investigated confidentially and expeditiously and, based on the report, the Committee noted that there were no compliance issues but instructed that certain actions be taken to address the personnel issues raised, as it related to a person managing other employees.

With the volatile geopolitical situation in the Middle East region and the keen focus on climate change among investors, the Committee considered environmental and security matters in greater detail based on reports from the VP of HSESQ. It was pleased to note the significant, incremental sustainability improvements, including notably the 79% reduction in CO_2e emissions from the Lamprell facilities since 2013, and also that there were many ongoing activities to improve the Group's environmental impact on the local community. The Group had complied with the ISO 14001 environmental and sustainability certification and was now looking to become ISO 5001 certified for energy management in the medium term.

Mel Fitzgerald

Chair of the Nomination and Governance Committee

Audit, risks and internal control

Risk management, internal controls and audit work

The Board has overall responsibility to ensure that there are adequate procedures to manage risk, to oversee the Group's internal control framework and to determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Accordingly, there are necessarily strong links between the Group's activities around risk management, internal controls and audit work and much of the regular work of the Audit and Risk Committee is designed to monitor the links and ensure that these processes continue to be robust.

The Group's risk assessment process and the way in which significant business risks are managed is an area of focus for the Committee. The Committee's activity here was led primarily, but not solely, by the Group's assessment of its principal and emerging risks and uncertainties, >> 42.

The Group has an internal control environment designed to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls and the Committee has responsibility for ensuring the effectiveness of these controls. Both are ably supported by Deloitte LLP, our external auditors, which test the Company's principal controls, and an internal audit function which assesses the effectiveness of the control framework and compliance by the Company's workforce.

Policies/procedures for overseeing the internal control framework

The Company has a system of internal controls based around the key features set out below. They are collectively designed to assist in the achievement of the Group's business objectives.

Internal control framework key features

- a strategy that is reviewed annually by the Board and implemented by management
- financial planning including annual budgets, quarterly reviews and three-year forecasting
- policies and procedures which regulate the controls and limitations of authority including a schedule of matters reserved for the Board, a clear organisation structure and a delegation of authority matrix
- oversight and approval of projects and/or contract awards either through executive management and/or, where required on major projects, the Board
- implementation and use of an integrated enterprise resource planning system, linking the various business functions
- a defined set of core values which set high standards of business practice and which are supported by the Company's Business Code of Conduct

Key policies and procedures aim to embed regulatory requirements into the daily lives of the Group's workforce including the Anti-Bribery and Corruption Policy, the Share Dealing Code, the Insider Dealing and Market Abuse Policy, the Disclosure Policy, the Modern Slavery Act Policy Statement and the Whistleblowing Policy. Further details are available on the Company's website.

There are processes which are designed to define the culture of the Company and to educate the workforce on the importance of high standards of behaviour and ethics, such as training around the Company's Business Code of Conduct and annual conflict of interest declarations for managers and key personnel. In 2019, the supply chain management department summarised the key elements from this code into a Supplier Code of Conduct and worked with the Group's supply chain to educate them on the standards expected of any suppliers providing products or services to Lamprell. This included training and certification against the Supplier Code. This provides further reassurance to the Board.

Among the Company's core values >> 3 is the value of integrity. Lamprell has a zero-tolerance approach concerning bribery and corruption throughout our business. We re-emphasise the importance of our Anti-Bribery and Corruption Policy to our employees regularly, and we educate our employees and business partners on it, to ensure that all our business is conducted honestly and ethically. If any concerns should arise, there is a multi-lingual, secure whistleblowing hotline which was set up to allow staff members to report ethical breaches, irregularities or simply concerns on a confidential basis without any fear of recrimination.

The Audit and Risk Committee completed its review of the effectiveness of the Group's system of internal controls, including risk management, during the year and up to the date of this Annual Report. The review covered all material controls, including financial, operating and compliance controls. The Committee confirmed that the system of internal control operated effectively for the 2019 fiscal year. Where specific areas for improvement were identified, there was reliance on mitigating or alternative controls and/or management is tasked with implementing further safeguards which can then be re-tested by the audit team's processes, to ensure sustainable remediation. This allows the Committee to provide positive assurance to the Board to assist it in discharging its obligations under the Code.

Audit Quality Review

During 2019, the AQR team of the FRC reviewed Deloitte's audit of the Company's financial statements for the year ended 31 December 2018. The review focused on the auditors' work in four key areas: (i) impairment of PP&E and intangibles, (ii) the going concern statement, (iii) contract accounting for the EA1 project, and (iv) revenue recognition. The chair of the Audit and Risk Committee was interviewed by the FRC as part of the review process in July 2019 and the Committee received a copy of the AQR report in January 2020, in which certain issues were highlighted. We have discussed these in detail with Deloitte and how they would incorporate the learnings into the 2019 audit. In addition, two Committee members had a follow-up discussion with the AQR team and the feedback was considered by the Committee and by the Board. The Board was unanimous in its decision to continue with Deloitte as our auditors, with no changes in leadership.

Policies/procedures for managing risk

In accordance with our schedule of matters reserved for the Board and the Code, the Board has primary responsibility for the effectiveness of the Group's internal controls and risk management systems but has delegated administration and monitoring to the Audit and Risk Committee. Each of the Directors acknowledges and accepts that the Board as a whole takes responsibility for risk management in line with the Code requirements. However, the day-to-day responsibility for developing and implementing the internal control and risk management procedures resides with the executive management team which then reports on risk to the Committee. Embedding and institutionalising a robust risk management culture is a core objective of the business to ensure our risk management performance stays in line with the dynamic risk profile of our business >> 42.

The Group's key governing document is the department Risk Management Procedure which sets out the process for identifying, managing and then monitoring each risk or set of risks, on a department-by-department basis (but facilitated by the Group risk function). The procedure explains how to assess risk and allocates risk based on likelihood and impact ratings, either as a Tier 1 (or enterprise) risk, Tier 2 (or departmental) risk and Tier 3 (or project) risk, as well as setting out rules whereby risks can be escalated through the Tiers to ensure that the appropriate level of management or the Board is aware of the risk and can react accordingly. There are other supporting policies and procedures, such as the Project Risk Management Procedure, which assist employees in identifying emerging risks on a project and managing or mitigating them appropriately.

Enterprise risks pose the greatest threat to the Group and management provided updates on these risks to the Committee in Q2 and Q4, following review by the Executive Committee. In addition, the Committee asked that certain risk owners, typically a member of the Executive Committee, present a 'deep dive' on an individual enterprise risk. In 2019 there were five such deep dive presentations on diverse risks from the cyber security threat to project execution. This ensures that the Committee and the Board have appropriate oversight of Tier 1 risks and their potential impact on the business. Following these meetings, the comments and actions from the Committee are fed back into the business by the Group risk function. Also, the Board discussed the key risks facing the Company during the processes for the release of the full-year and interim financial results in March and September.

This two-way disclosure and monitoring system for enterprise risks facing the Group provides the Directors with reasonable (but not absolute) assurance against material misstatements and losses. The structure of the risk management mechanisms as well as the results of this system can be seen in the information relating to the principal risks and uncertainties faced by the Group >> 42.

Reporting by Internal Audit

Lamprell has an IA function that provides assurance to management and the Board on the effectiveness and integrity of the Group's internal control framework. There is regular communication between the Committee, Deloitte and IA to ensure alignment of objectives and to maximise the coverage of the audit activities into key risk areas. The Committee receives reports regarding ongoing audits and close-out of audit observations, and approves the IA plan for the subsequent year (based on an assessment of highlighted risk trends within the business and by reference to best practice). Aside from leading the annual control self-assessment exercises, the IA function conducted the following audits during 2019: capital projects review, surprise cash count, engineering function, quality assurance and control process, materials control and traceability, project controls, joint venture governance and disposal of capital assets/consumables from labour camps. As with Deloitte, the Committee reviews the performance of the IA function regularly and remains satisfied with it. Similarly, at least twice per year, it meets with the IA Director, without executives present, to discuss any sensitive matters or concerns.

Insurance programme

Lamprell procures insurance as a risk mitigation measure and cover is arranged by way of a consolidated insurance programme. This covers the Group against the types of insurable risks normally associated with a contracting services provider to the energy industries, operating in challenging territories.

The efficacy of the consolidated insurance policy is regularly stress-tested against market conditions and business requirements. This ensures our cover remains as wide as commonly available across the insurance market, while continuing to represent a cost-effective risk transfer solution, considering various factors, including the policy limits, deductible levels and policy conditions.

Each year, the Board also reviews and approves the renewal of the Directors' and Officers' liability insurance cover to ensure that it is appropriate in light of the circumstances, size and risks within the business. This is subject to the usual exclusions such as fraud or dishonesty by a Director.

Audit, risks and internal control

Audit and Risk Committee report

Key responsibilities of the Committee

- ensure the integrity of the Company's financial performance announcements
- evaluate the process for the appointment of the external auditors
- monitor the performance, effectiveness and independence of the external and internal audit functions
- advise the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable
- ensure that the policies relating to the internal control framework, whistleblower complaints and the enterprise risk management system are effective

2019 Committee activities

- oversaw management's effort to forecast and manage cash and cash equivalent
- advised the Board on the financial statements for the Company and the quality of the disclosures in the Notes
- performed 'deep dives' into key enterprise risks to ensure that they were properly identified, managed and mitigated
- evaluated the independence and the effectiveness of the external auditors, Deloitte LLP
- assessed the effectiveness of the Group's enterprise risk management system, internal controls framework and internal audit function
- reviewed the internal audit reports and approved the 2020 audit plan
- received reports on whistleblowing cases
- approved the updated Capex Approvals Policy

Priorities for 2020

- continue oversight of activities to improve the Company's liquidity and broader financial position
- work with auditors to understand the impact of COVID-19 and significant judgements on the business and financial statements

Committee membership and attendance

Member	Meetings attended (out of total)
James Dewar* Committee Chair and Non-Executive Director	**5 (5)**
Mel Fitzgerald Independent Non-Executive Director	**5 (5)**
Debra Valentine Senior Independent Director	**5 (5)**

* James Dewar has a strong financial background, for the purposes of the Code.

Significant judgements

The Committee spent considerable time discussing the significant judgements (see table opposite) during 2019. In particular, given the Company's declining cash reserves, there was considerable discussion with both management and Deloitte around its liquidity position. The Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures were included in the accounts; in particular, the material uncertainty to the going concern statement made at the interim financial statements and repeated for the full-year results. This subject will continue to be a key agenda item for the Committee in 2020.

External auditors: effectiveness

The Code and the Committee's terms of reference require it to assess the independence, performance and effectiveness of the external auditors, which the Committee did in March and September 2019. Primarily Committee members assessed Deloitte's ongoing performance through their own regular interaction with the auditors. This included presentations covering the results of Deloitte's audit work on the Company's financial statements and internal control framework, as well as updates on changes to accounting and corporate governance requirements. In addition, Deloitte provided suggestions for improvements in the Group's IT systems, its detailed cash flow model and for enhanced disclosures in this Annual Report, which the Board has taken account of. The Committee also took account of the comments from the FRC's review of Deloitte >> 63. After each meeting, the Committee met with Deloitte, without executives present, to discuss any sensitive matters or concerns.

The Code provides that a listed company should tender out its external audit contract at least every 10 years and the Company last tendered for such services in 2015. The Committee remains satisfied as to Deloitte's effectiveness and, in making this assessment, had due regard to their knowledge of the Group and their resourcing capabilities, length of service and independence.

Deloitte LLP has expressed its willingness to be appointed and continue to act as external auditors and a resolution to appoint them will be proposed at the forthcoming 2020 AGM for their services in respect of the 2020 financial year.

External auditors: independence

The Company's Policy on Auditor Independence, which is available on the Group's website, is designed to safeguard the independence and objectivity of our external auditors. Deloitte may only provide non-audit services with the Committee's approval under certain conditions and subject to financial limits to ensure that it does not compromise the integrity of their audit work. Further, the policy also lists the services that Deloitte is prohibited from undertaking under any circumstances.

There was no breach of the policy and in 2019 Deloitte LLP provided non-audit services with a total value of USD 64,800 (2018: USD 36,943) compared to an annual audit fee including Group audit fees of USD 1,289,253 (2018: USD 631,178, after including agreed overruns).

Given the oversight by the Committee and the minimal non-audit services undertaken by Deloitte, the Committee considers that the objectivity and independence of the external auditors were safeguarded throughout 2019.

Fair, balanced and understandable

A key principle of the Code is the need for the Board to present a fair, balanced and understandable assessment of the Company's position and prospects, and the Board relies on the Committee's work to make the assessment.

The Committee has assessed whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This includes the processes and controls that underpin its preparation to ensure that all contributors, the core reporting team and senior management are fully aware of the requirements. To assist with the process, all Directors were given an early draft of the Annual Report to enable early input and comment. The Committee also reviewed the financial results announcements, supported by the work of the Group's Disclosure Committee. This work enabled the Committee to provide positive assurance to the Board to assist them in making the statement required by the Code.

James Dewar

Chair of the Audit and Risk Committee

Significant accounting judgements considered by the Committee during 2019	Views/actions of the Committee with respect to significant judgements
Going concern basis of accounting (see also Note 2.1)	The Committee reviewed the appropriateness of the going concern basis of accounting, including the Company's base liquidity model and the impact of key assumptions disclosed in Note 2.1. Management was taking action to avoid or reduce the risk of a significant deterioration in cash flows but some assumptions were based on events outside the Company's control so, as disclosed, the Committee concluded that there was a material uncertainty casting significant doubt on the use of the going concern basis of accounting. In arriving at this conclusion, the Committee also reviewed the downside case which is further sensitised for the potential effects of COVID-19 and turmoil in the oil & gas market. These sensitivities are summarised in the viability statement >> 39.
Revenue recognition and estimated cost to complete on major projects including onerous contracts (see also Note 4.2)	The Committee reviewed the reasonableness of judgements made regarding the cost to complete estimates, recognition of variation orders and contractual claims, and the adequacy of contingency provisions to mitigate specific project risks, particularly for onerous contract terms. It was satisfied that the judgements were reasonable, and in line with IFRS requirements and accounting policy, as audited by Deloitte.
Review of provisions (see also Note 4.2)	At each meeting, the Committee considered the appropriateness, adequacy and consistency of approach by management in relation to material subjective provisions taken in respect of doubtful debts, contract accruals, project risks and warranty issues, and challenged as appropriate.
Impairment of PP&E and intangibles (see also Note 4.2)	Twice-yearly, the Committee evaluated the results of the impairment review of PP&E, and intangibles and the appropriateness of the assumptions given the challenging financial position of the Company. This included a review of the recoverable amount based on the value in use assumptions related to revenue, discount and terminal growth rate and those used by the independent valuer in determining the fair value less disposal costs of the Group's assets. After discussion and input from management and Deloitte, it was satisfied that the assumptions and the disclosures in the year-end financial statements were appropriate.
Impairment of investments in subsidiaries	The Committee evaluated the results of the impairment review of the investments in subsidiaries included in the Company balance sheet. This included a review of the net asset value calculation of the subsidiaries used to determine the impairment. Based on this review, it was satisfied the disclosures in the financial statements were appropriate.

Remuneration

Remuneration and Development Committee report

Key responsibilities of the Committee
- design the Company's Remuneration Policy
- ensure compliance with the remuneration section of the Code
- determine remuneration packages for Executive Directors, the Chairman and senior management taking account of the Company's purpose, core values and long-term strategy
- oversee remuneration levels across the wider workforce

2019 Committee activities
- reviewing established and emerging executive remuneration pay practices in the UK
- ensuring that the Company maintains market-competitive, compliant and appropriate rewards and incentives that drive achievement of strategic priorities and serve the long-term interests of our shareholders and stakeholders
- maintaining active oversight of executive performance, development and succession
- leading the development initiatives for executive management and other key employees

Priorities for 2020
- develop and implement incentive plans that drive stretch performance and motivate Executive Directors and senior managers whilst recognising the prevailing market conditions
- identify and manage potential succession risks by implementing effective senior leadership development processes and programmes
- review workforce pay to prevent any gender pay gap

Committee membership and attendance

Member	Meetings attended (out of total)
Debra Valentine Senior Independent Director	5 (5)
James Dewar Non-Executive Director	5 (5)
Mel Fitzgerald Non-Executive Director	5 (5)

Dear Shareholders

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2019.

Performance and reward in 2019

Given the challenging external business environment in 2019, the Group failed to achieve the threshold performance level against the triggering backlog target. Thus, there were no pay-outs under the Group's STIP.

The continuing industry downturn also hurt the Group's cumulative performance in the three years to 31 December 2019. Accordingly, the performance shares awarded in October 2017 failed to achieve threshold performance in all three metrics and will not vest in October 2020.

As reported last year, Christopher McDonald received compensatory awards in relation to forfeited incentives with his previous employer. Details of awards vested in 2019 are given on page >> 76.

Share awards were granted in April 2019 to Christopher McDonald and Tony Wright, in accordance with the rules of the performance share plan >> 78.

Throughout 2019, the Committee ensured an appropriate focus on executive performance, talent development and succession planning.

Remuneration Policy for 2020-2022

At the AGM on 21 May 2019, the Remuneration Policy achieved a shareholders' binding vote of 99.2% in favour. After a detailed review throughout 2019, the Committee was satisfied that the Policy remains fit for purpose and designed to support the Company's strategy and promote its long-term sustainable success. Accordingly, there are no proposed changes to the Policy for 2020. The Committee will monitor and, where appropriate, adopt emerging trends arising from UK executive remuneration practices.

In this regard, the Committee notes that companies with more than 250 UK-based employees should disclose CEO pay ratios. Lamprell has no employees based in the UK.

The Committee also recognises the continuing focus on UK pension benefits. The Company's end-of-service gratuity, i.e. the equivalent of a pension plan in the region where Lamprell operates, has the same contribution levels for Directors and the general workforce.

Implementation of policy in 2020

The unprecedented impact of COVID-19 on global markets led the Company to adopt significant cost reduction measures. As such, with effect from 1 January 2020, the Company implemented a permanent 20% reduction in the housing and utilities allowances of Executive Directors and all management, professional and support staff and, from 1 April 2020, a further 25% temporary reduction in the total remuneration of the same group (excluding school fees), and a 5% reduction in yard labour salaries. A 25% temporary reduction was also applied to Non-Executive Directors' fees. These temporary reductions will apply until 30 September 2020 at which point the situation will be reviewed.

Below are the main components of the implementation of our Policy for 2020:

- Base salaries: substantive base salaries remain unchanged for the fourth consecutive year. Temporary reduction of 25% applicable from 1 April 2020 subject to review on 30 September 2020.
- Allowances: reductions implemented as detailed above.
- STIP: in view of the extraordinary global economic conditions, the Committee decided to defer its determination of what STIP targets are appropriate until markets stabilise and reasonable assessments can be made as to what is stretching, in stakeholders' and executives' interests and affordable. The operation of the plan will then be reviewed to ensure that it continues to fulfil its original purpose and remains in the best interests of shareholders.
  - Maximum opportunity levels: CEO 100%; CFO 85%.
  - Performance metrics: to be approved by the Committee in line with the policy and affordability.
- LTIP: The Committee also concluded that the LTIP awards that would normally be made in April will be postponed until later in the year. The Committee will review and decide upon the most appropriate performance metrics and targets, aligned with the Policy, and the timing of the awards relative to the prevailing conditions. While the Committee intended to revert to normal opportunity levels (CEO 120%; CFO 100%); it will consider the share price at the time of the awards relative to the 2019 awards and judge whether these opportunity levels remain appropriate.
- NEDs' fees: Substantive fees remain unchanged for the seventh consecutive year. Temporary reduction of 25% applicable from 1 April 2020 subject to review on 30 September 2020.

On behalf of the Board, I recommend the 2019 Directors' Remuneration Report to you.

Debra Valentine

Chair of the Remuneration and Development Committee

Remuneration Policy

This part of the report sets out the Company's Remuneration Policy and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Remuneration Policy takes into account the principles of the UK Corporate Governance Code and the views of our major stakeholders, and applies from the 2019 AGM. The Policy was put to a binding shareholder vote at the AGM on 21 May 2019.

Policy overview

The Committee is responsible, on behalf of the Board >> 48, for establishing appropriate remuneration arrangements for the Chair, the Executive Directors and other senior management in the Group.

Our Remuneration Policy aims to drive continuous improvements in business performance and maximise shareholder value by offering remuneration packages that are designed to enable the recruitment, retention and motivation of high-calibre Executive Directors and senior management.

In setting the Remuneration Policy, the Committee considers the Remuneration Policy and levels of remuneration for the wider employee population, policies and practices in the UAE and also those in the wider market. The Committee determines arrangements that are in the best interests of both the Group and its stakeholders, by taking into account the following general principles:

- to attract, retain and motivate the best talent without paying more than is necessary;
- to ensure total remuneration packages are simple and fair in design and valued by participants;
- to ensure that the fixed element of remuneration is determined broadly in line with market rates, taking account of individual performance, responsibilities and experience, and that a significant proportion of total remuneration is linked to performance-related incentives;
- to balance performance pay between achieving financial and non-financial targets and delivering sustainable stock market out-performance, thus creating a clear line of sight between performance, strategy and reward;
- to calibrate performance metrics so that performance is incrementally rewarded through stretching targets and executives are not inadvertently incentivised to take inappropriate business risks;
- to maintain the highest possible health and safety standards where any fatality that takes place in a facility operated by the Company or any of its subsidiaries may result in discretionary withdrawal of incentive eligibility;
- to provide a significant proportion of performance-linked pay in shares allowing senior management to build shareholdings in the business and thereby aligning management with shareholders' interests and the Group's longer-term performance; and
- to maintain appropriate governance and risk management >> 40 through the application of holding periods and clawback provisions on incentive plan awards.

Remuneration and Development Committee report
continued

Summary of the Directors' Remuneration Policy

The following table sets out the key aspects of the Directors' Remuneration Policy. A description of how the Company intends to implement the Policy is set out in the Report on Directors' Remuneration >> 73.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Base salary	To attract, retain and motivate talented individuals who are critical to the Group's success	Reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities Base salary levels set by reference to competitive market rates, taking into account level of responsibility, individual performance, skills and experience, Group performance and the pay and conditions in the workforce	No prescribed minimum or maximum annual increase. The Committee is guided by market position, and the average increase for the workforce generally, and may recognise an increase due to, for example, assumed additional responsibilities or an increase in the scale or scope of the role	Company performance appraisal process
Benefits and allowances	To offer a market-competitive level of benefits to ensure the Executive Directors' well-being and provide additional allowances in line with local market practice	Current benefits include a housing allowance, private medical/life insurance, use of a company car (or car allowance), fuel allowance, annual leave airfares, children's education and utility expenses Executive Directors will be eligible for other benefits introduced for the wider workforce on broadly similar terms, and at times additional benefits might be provided if the Committee decides payment of such benefits is appropriate and in line with emerging market practice	Actual value of benefits provided	None
Short-Term Incentive Plan	To reward the achievement of the Group's annual financial and non-financial objectives linked to the delivery of the Group's strategic plan	Normally payable in cash Performance targets are approved annually by the Committee The Committee has the discretion to override the formulaic outturn of the incentive and determine the appropriate level of pay-out if it believes exceptional circumstances warrant it or if it is deemed necessary based on safety, environmental, social and governance considerations Clawback provisions apply for overpayments due to misstatement, error, negligence, fraud, serious misconduct or other adverse circumstances at the discretion of the Committee	Maximum opportunity of 100% of annual base salary for all Executive Directors	At least two-thirds of the annual incentive will be based on Group financial performance or other key business metrics, with the remainder dependent on the achievement of individual performance objectives, to provide a rounded assessment of the Group and management's performance The financial metrics incorporate an appropriate sliding scale against a challenging target. On each element, only 20% of the maximum target will pay out for achieving threshold performance, increasing pro-rata with 100% pay-out on the achievement of maximum stretch targets
End-of-service gratuity[1]	To offer Executive Directors a retirement benefit as required under UAE labour law	The Company has no Group-wide pension scheme A lump sum cash payment is awarded following end of service, based on the length of service and final base salary in accordance with UAE labour law	Company contributions are limited to two years base salary by UAE labour law	None

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Long-Term Incentive Plan (LTIP)	To balance performance pay between the achievement of strong financial performance and delivering sustainable stock market outperformance To encourage share ownership and alignment with shareholder interests	Annual awards of conditional shares or nil (or nominal cost) options with vesting dependent on the achievement of performance conditions over a three year period An additional mandatory holding period of two years will apply to all vested awards (net of tax) Performance targets and metrics are approved annually by the Committee The Committee has the discretion to override the formulaic outturn and scale back (potentially to zero) the vesting of any awards if it believes the results are not an accurate reflection of the Company's underlying performance Clawback provisions apply for overpayments due to error, misstatement, negligence, fraud, serious misconduct or other adverse circumstances at the discretion of the Committee Dividends may accrue during the vesting period and will typically be paid in shares at the time of vesting, to the extent that shares vest	Normal maximum opportunity of 120% of base salary for the CEO and 100% of base salary for other Executive Directors Exceptional maximum opportunity of 150% of base salary	Performance is assessed against challenging independent financial metrics that may include relative or absolute TSR, EPS, cumulative EBITDA, cumulative sales awards and other equally challenging metrics On each element only 20% of an award will vest for achieving threshold performance, increasing and vesting pro rata with full vesting for achieving maximum stretch performance targets
Share ownership guidelines	To further strengthen the long-term alignment between executives and shareholders	Executive Directors are required to retain the net proceeds of vested share awards which vest under the Group's discretionary share plans until the share ownership guidelines are reached Directors hired after 1 January 2019 will be required to hold the lower of shares to the value of 200% of base salary or their actual vested shareholding at the date of employment termination until the second anniversary of their separation from the Group	Expected to achieve 200% of base salary within five years	None
Non-Executive Directors' fees	Set to attract, retain and motivate talented individuals through the provision of market-competitive fees	Reviewed periodically by the Executive Directors and Chairman (except for his own fee) or, if appropriate, in the event of a change in an individual's position or responsibilities Fee levels set by reference to market rates, taking into account the individual's experience, responsibility, time and travel commitments	No prescribed minimum or maximum annual increase. The Executive Directors and Chairman are guided by market position but may recognise an increase, e.g. assumed additional responsibilities or an increase in the scale or scope of the role	Annual evaluation of Board performance

1. The contribution rates for end-of-service gratuity benefit are the same for Directors and the workforce in general with the only variable relating to years of service, in accordance with UAE labour law.

Remuneration and Development Committee report continued

Consideration of stakeholder views

The Company is committed to maintaining good communications with investors, its workforce and other stakeholders around remuneration matters. The Committee also considers the AGM to be an opportunity to meet and communicate with investors and consider feedback received. This feedback, together with additional feedback from shareholder representative bodies more generally, is then considered as part of the Company's annual review of its Remuneration Policy. The Committee will also seek to engage directly with major shareholders and other stakeholders should any material changes be made to the Directors' Remuneration Policy. Details of the votes cast for and against the resolution to approve last year's Directors' Remuneration Report are set out in the Report on Directors' Remuneration on page >> 73.

Performance metric selection

The STIP is predominantly based on key financial performance indicators >> 26, to reflect how well the Group succeeded in managing its operations in the current fiscal year. The balance is determined by performance against individually determined strategic objectives and annual operational targets, including HSE.

The LTIP performance measures reward significant long-term returns to shareholders and long-term financial growth. Targets take account of internal strategic planning and external market expectations for the Company, and are set to be appropriate to the economic outlook >> 12 and risk factors >> 40 prevailing at the time, ensuring that such targets remain challenging, whilst realistic enough to motivate and incentivise management. Only modest rewards are available for achieving threshold performance, with maximum rewards requiring substantial out-performance of challenging strategic plans >> 16 approved at the start of each year.

Discretion

In addition to the formulaic assessment of performance against the respective plan metrics, the Committee recognises its obligation to assess the appropriateness of the STIP and LTIP awards relative to the Company's underlying business performance over the respective plans' performance periods. When determining the final performance outcome under the LTIP, the Committee has discretion over the number of shares vesting considering other important internal or external factors. Any change to the formulaic outcome will be reported transparently.

The Committee operates the incentive plans in accordance with their respective rules, the UK Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over several areas. These include (but are not limited to) the following:

- who participates;
- the timing of the grant of award and/or payment;
- the size of an award (up to plan/policy limits) and/or payment;
- the result indicated by the relative TSR performance condition may be scaled back (potentially to zero) in the event that the Committee considers that financial performance has been unsatisfactory and/or the outcome has been distorted due to the TSR for the Company or any comparator company being considered abnormal;
- the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes and the treatment of leavers;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose;
- the ability to cash-settle awards where payment in shares is impractical for legal or regulatory reasons; and
- the ability to disapply, in full or part, the post-employment shareholding requirements at the time of departure if the Committee believes it is in the best interests of the Company.

In approving this Directors' Remuneration Policy, shareholders give the Company authority to honour any commitments entered into with current or former Directors (such as the vesting or exercise of past share awards).

Relative pay and employment conditions in the Group

The Committee takes account of remuneration levels offered to the senior management team in the Group as well as remuneration of the wider employee population. When considering the Executive Directors' remuneration structure and levels, the Committee reviews base salary and incentive arrangements across the Group to ensure that there is a coherent approach. Employees may be eligible to participate in an annual bonus arrangement and receive awards under the LTIP, employee stock option plan, retention share plan or free share plan. Opportunities and performance metrics may vary by workforce level, with specific business metrics incorporated where possible.

Executive and senior management maintain open channels of communication with the wider workforce so that employees are clear on the design of pay and incentive arrangements and the contribution required from them to achieve an appropriate share of any rewards. The Committee seeks to ensure that, when setting executive and senior management pay, overall business performance and market conditions have a broadly similar impact on salary reviews, bonus and incentive arrangements at all levels across the organisation. The differences that exist between executive and senior management remuneration and that of the general workforce are derived mainly from the need to incentivise executives around longer-term strategic goals which, in turn, places a greater proportion of executive pay at-risk.

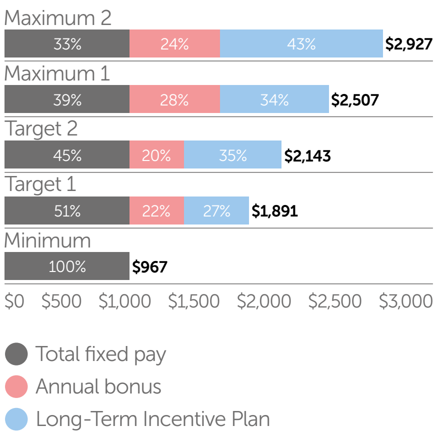
Consultation about remuneration between executive management and the general workforce focuses on how at all levels, pay and reward are set by comparisons to industry peers and efforts to maintain equity across the same levels in the workforce, taking into account experience and performance. In light of the Code, the Committee has reviewed appropriate methods of facilitating consultation with the wider workforce and NEDs now attend employee welfare consultative meetings on a rotational basis and meet regularly with high-potential employees.

Remuneration scenarios for the Executive Directors

The charts to the right show an estimate of the potential range of remuneration payable for the Executive Directors in 2020 at different levels of performance. The charts highlight that the performance-related elements of the package comprise a significant portion of the Executive Directors' total remuneration at maximum performance. For ease of presentation, given that Executive Directors' salaries will fluctuate during 2020 due to the COVID-19 measures >> 67, the charts reflect the scenarios using substantive fixed pay at 1 January 2020 and the regular STIP and LTIP opportunity levels.

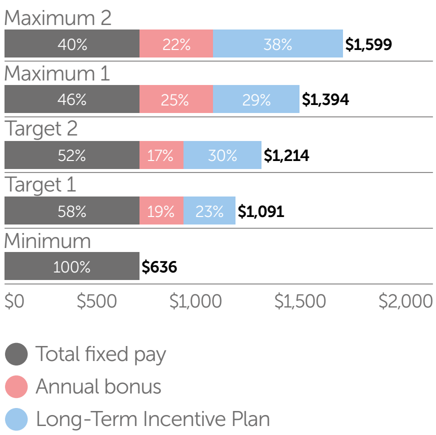
Chief Executive Officer

Total remuneration (USD '000)



Chief Financial Officer

Total remuneration (USD '000)



Assumptions:

1. From 1 January 2020, housing and utilities allowances were reduced permanently by 20% and this is reflected in the bar charts. Whilst not reflected in the bar charts for the reasons explained above, for the period 1 April to 30 September 2020 (to be reviewed), a 25% reduction has been applied due to COVID-19 measures against fixed pay (base salary and allowances), with the exception of school fees which remain unchanged >> 67. Otherwise, benefits are estimated, based on the annualised value for the year ended 31 December 2019.
2. The end-of-service gratuity is estimated based on the accrual for the year ended 31 December 2019.
3. Minimum performance assumes no award is earned under the STIP and no vesting is achieved under the LTIP; at on-target, typically 60% of the maximum is earned under STIP and typically 60% vesting is achieved under the LTIP; and at maximum full vesting is achieved under both plans.
4. 'Maximum 2' reflects the estimated impact on the LTIP values of a 50% increase in share price.

Directors' recruitment and promotions

When considering changes, the Committee balances the need to attract, retain and motivate Executive Directors and senior managers of the highest calibre by ensuring close alignment between the interests of shareholders and the individuals.

If a new Executive Director was to be appointed, the Committee would seek to align the remuneration package with the approved Remuneration Policy, including discretion to award an STIP opportunity of up to 100% of base salary and an LTIP award of up to 120% for the CEO and 100% for other Executive Directors, with discretion, in exceptional circumstances, to grant an award of up to 150% of base salary to any Executive Director. Flexibility would be retained to set base salaries at the level necessary to facilitate the hiring of candidates of appropriate calibre in external markets. The Committee may also make, in respect of deferred remuneration forfeited on leaving a previous employer, payments or awards under the approved share plans or an award under Listing Rule 9.4.2. In terms of remuneration to compensate for forfeited awards, the Committee would look to replicate the arrangements being forfeited as closely as possible, and in doing so would take account of relevant factors including the nature of the remuneration, performance conditions and the time over which awards would have vested or been paid.

For an internal appointment, any incentive amount awarded in respect of a prior role may be allowed to vest on its original terms or adjusted as relevant to take into account the appointment. Any other ongoing remuneration obligations existing prior to appointment may continue.

The Committee may also agree that the Company will meet certain relocation and incidental expenses as appropriate.

For the appointment of a new Non-Executive Chairman or NED, the fee arrangement would be set in accordance with the approved Remuneration Policy at that time.

Remuneration and Development Committee report continued

Executive Directors' service agreements and payments for loss of office

The Committee reviews the contractual terms of the service agreements to ensure these reflect best practice.

The Executive Directors' service agreements are terminable on up to a maximum of 12 months' notice. In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard to the particular circumstances of the case but not beyond the contractual entitlements. The Committee has the discretion to require notice to be worked or to make payment in lieu of notice or to place the Director on garden leave for the notice period. In case of payment in lieu or garden leave, base salary, benefits and end-of-service gratuity will be paid for the period of the notice served on garden leave or paid in lieu. The Committee also has the discretion to pay for outplacement services if it considers them appropriate and to settle legal fees or outstanding legal claims which it considers have a reasonable prospect of success. If the Committee believes it would be in shareholders' interests, the Company may elect to make payments in three separate tranches: 50% within seven working days of the termination date; 25% three months after the termination date; and 25% six months after the termination date.

The STIP may be payable in respect of the period of the incentive plan year worked by the Director. There is no provision for an amount in lieu of incentive pay-out to be payable for any part of the notice period not worked. In such circumstances, the incentive pay-out will be scaled back pro-rata for the period of the incentive year worked by the Director and will still be payable at the normal payment date.

Long-term incentives

Long-term incentives granted under the LTIP will be determined by the plan rules, which contain discretionary good leaver provisions for designated reasons (e.g. participants who leave early on account of injury, retirement, disability or ill health, or any other reason at the discretion of the Committee). In these circumstances, a participant's awards will not be forfeited on cessation of employment and instead will vest on the normal vesting date. In exceptional circumstances, the Committee may decide that the participant's award will vest early on the termination date. In either case, the extent to which the awards will vest depends on the extent to which the performance conditions have been satisfied and a pro-rata reduction of the awards will be applied by reference to the time of cessation (although the Committee has the discretion to disapply performance conditions and time pro-rating if the circumstances warrant it). In the case of death of the participant, the award will vest at that time, irrespective of whether or not any performance conditions have been satisfied, and the award will not be time pro-rated.

In the event of a change of control, all unvested awards under the long-term incentive arrangements would vest, to the extent that any performance conditions attached to the relevant awards have been achieved. The awards will, other than in exceptional circumstances, be scaled back pro-rata for the period of the incentive year worked by the Director (although the Committee has the discretion to disapply performance conditions and time pro-rating if the circumstances warrant it).

Service contracts for Executive Directors

The table below sets out the details of the Executive Directors' service contracts:

Director	Date of contract
Antony Robert William Wright	13 August 2015
Christopher Michael McDonald	2 August 2016

The service contracts are available for inspection during normal business hours at the Company's registered office, and available for inspection before and at the AGM.

Remuneration payments under all service contracts are enforceable only insofar as they fall within a shareholder-approved Remuneration Policy.

Non-Executive Directors' terms of engagement

NEDs are engaged pursuant to letters of appointment which do not have fixed terms, but they are subject to re-election by the Company's shareholders at intervals of not more than three years. All NEDs currently serving were re-elected at the 2019 AGM. All existing Directors and new Directors will be proposed for election by the shareholders at the 2020 AGM.

Upon termination or resignation, NEDs are not entitled to compensation and no further fee is payable.

Currently, three NEDs are considered to be independent of the Company.

The following table shows the effective date of appointment for each NED:

Non-Executive Director	Date of appointment
John Malcolm	27 May 2013
Mel Fitzgerald[1]	13 August 2015
Debra Valentine[1]	1 September 2015
James Dewar[1]	1 November 2017

1. Mel Fitzgerald, Debra Valentine and James Dewar are considered to be independent NEDs of the Company.

Report on Directors' Remuneration

This report has been prepared in accordance with Part 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the UK's Listing Rules, as well as applying the remuneration principles set out in the Code. The Report on Directors' Remuneration will be put to an advisory shareholder vote at the 2020 AGM. The information on pages 73 to 79, save where indicated, has been audited.

The Committee's terms of reference are available for review on the Company's website.

External advice received

During the year, the Committee received independent advice on remuneration matters from the London office of Aon (formerly New Bridge Street). Aon did not provide other services to the Group during the year under review and there is no other connection between Aon and the Company or the Directors. The Committee also received independent advice from John Macdonald, the Company's former Vice-President (Human Resources and Administration), who attends meetings on a regular basis and was engaged to provide ongoing advice. Mr Macdonald also provided general remuneration consulting support on an ad-hoc basis. The Committee considers Mr Macdonald's advice to be independent and he has no other ongoing connection with the Company or Directors save as disclosed here. The Committee also consulted with the CEO, CFO and Non-Executive Chairman (but not in relation to their own remuneration), as well as the Company Secretary (who acted as the secretary to the Committee) and the VP of HR & Corporate Services, as well as the Audit and Risk Committee in establishing incentive plan performance measures.

Aon is a signatory to the Remuneration Consultants' Code of Conduct and adheres to its voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the operating processes in place at Aon and is satisfied that the advice it receives is objective and independent.

The fees paid to Aon during the year were GBP 34,000. The fees paid to John Macdonald in respect of Committee support during the year were AED 24,004. Both Aon and John Macdonald's fees were chargeable on the basis of time provided.

Shareholder voting at AGM

At last year's AGM held on 21 May 2019, the Directors' Remuneration Report for 2018 and the Remuneration Policy 2019-2022 received the following votes from shareholders:

	Directors' Remuneration Report		Remuneration Policy 2019-2022	
	Total number of votes	**% of votes cast**	**Total number of votes**	**% of votes cast**
For	251,935,645	83.3	300,010,198	99.2
Against	50,388,633	16.7	2,314,081	0.8
Total votes cast (for and against)	**302,324,278**	**100**	**302,324,279**	**100**
Votes withheld[1]	200,131	N/A	200,131	N/A
Total votes cast (including withheld votes)	**302,524,409**	**N/A**	**302,524,410**	**N/A**

1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' and 'Against' a resolution.

Report on Directors' Remuneration
continued

Implementation of the Remuneration Policy for 2020

The structure of the executives' remuneration packages is intended to be clear and simple with a fixed pay element and two components of variable pay. Risk is managed through the availability of clawback, malus and holding period provisions and the aim is to ensure that executives and shareholders are clear on the triggers for incentive awards. The Committee is satisfied that the balance between fixed and variable pay >> 71 is proportionate and aligned with a performance culture.

Base salary (unaudited)

In setting base salaries for 2020, the Committee continued to benchmark against external market data and internal alignment, as well as the overall market environment that has driven the continued need for overhead cost reductions. However, as explained elsewhere >> 67, the substantive base salaries of the Executive Directors in 2020 will remain the same for the fourth successive year but were subject to a temporary reduction of 25% from 1 April 2020 as follows:

	Substantive base salary from 1 January 2019	Substantive base salary from 1 January 2020	Temporary base salary from 1 April to 30 September 2020	(% decrease)
Christopher McDonald	USD 700,000	USD 700,000	USD 525,000	(25%)
Tony Wright	USD 410,000	USD 410,000	USD 307,500	(25%)

Allowances (unaudited)

As reported elsewhere >> 67, housing allowances were reduced on 1 January and total allowances (excluding school fees) were subject to a further 25% temporary reduction from 1 April 2020.

STIP 2020

As reported elsewhere >> 67, the operation of the STIP will be subject to a review of business conditions later in the year.

LTIP incentive awards (unaudited)

As reported elsewhere >> 67, the LTIP awards that would normally be made in April will be postponed until later in the year subject to market stabilisation.

Subject to compliance with the Listing Rules, awards will be made at the appropriate time in 2020 and the maximum LTIP potential will be 120% of base salary for the CEO and 100% for the CFO. The Committee will consider any impact on opportunity levels that might arise from the share price at the time of the awards relative to the 2019 awards.

The performance conditions for these awards will be determined by the Committee prior to the granting of the awards and will be broadly consistent with prior year plans.

End-of-service gratuity

As required under UAE labour law, the Company contributes to the end-of-service gratuity fund on behalf of the Executive Directors, whereby the gratuity shall be 21 days' base salary for each year of the first five years of employment and 30 days' base salary for each additional year of employment thereafter, on the condition that the total gratuity does not exceed two years' base salary. The gratuity is payable upon termination of employment. These contribution levels are the same for Directors and the entire workforce.

Directors' contracts

The service contracts of both Executive Directors, Christopher McDonald and Tony Wright, are currently terminable subject to six months' contractual notice in both cases.

As reported in last year's Report on Directors' Remuneration, when the CEO Christopher McDonald was appointed, he was eligible for certain compensatory awards in respect of forfeited incentives with his previous employer. As such, during 2019, Mr McDonald vested in 46,811 retention shares >> 76. The performance shares component of the compensatory award did not vest due to a failure to achieve the relevant performance target.

Outside appointments (unaudited)

The Board allows Executive Directors to accept appropriate external, commercial NED appointments provided the aggregate commitment is compatible with their duties and does not cause a conflict of interest with the role of an Executive Director. Executive Directors may retain fees paid for these services, which will be subject to approval by the Board. The Executive Directors do not currently hold any outside appointments save as disclosed >> 49.

Performance conditions for outstanding LTIPs

For the sake of completeness, the Company discloses the performance conditions which are attached to the awards of LTIPs in 2017, 2018 and 2019 as follows:

LTIP 2017

	Threshold		Maximum		
Performance condition	**% vesting**	**Performance**	**% vesting**	**Performance**	**End measurement point**
TSR vs. FTSE World Oil Equipment and Services Index	20	Median	100	Upper quintile	31 December 2019
Cumulative EBITDA	20	USD 65m	100	USD 100m	31 December 2019
End-of-period backlog	20	USD 600m	100	USD 1.050bn	31 December 2019

The outcome of the performance conditions applicable to the 2017 LTIP awards is shown below:

Performance condition	Outcome	% Vesting
TSR vs. FTSE World Oil Equipment and Services Index	Below median	0%
Cumulative EBITDA	USD (170.2)m	0%
End-of-period backlog	USD 470.1m	0%

LTIP 2018

	Threshold		Maximum		
Performance condition	**% vesting**	**Performance**	**% vesting**	**Performance**	**End measurement point**
TSR vs. FTSE World Oil Equipment and Services Index	20	Median	100	Upper quintile	31 December 2020
Cumulative EBITDA	20	USD 10m	100	USD 75m	31 December 2020
End-of-period backlog	20	USD 600m	100	USD 1.0bn	31 December 2020

LTIP 2019

	Threshold		Maximum		
Performance condition	**% vesting**	**Performance**	**% vesting**	**Performance**	**End measurement point**
TSR vs. FTSE World Oil Equipment and Services Index	20	Median	100	Upper quintile	31 December 2021
TSR vs. FTSE 250 Index	20	Median	100	Upper quintile	31 December 2021
Cumulative net profit	20	See Note 1	100	See Note 1	31 December 2021
Cumulative sales awards	20	USD 2.0bn	100	USD 3.5bn	31 December 2021

1. The Committee considers any disclosure of net profit targets to be commercially sensitive; however, full retrospective disclosure of performance against targets will be made in the Remuneration Report following the end of the performance period.

Report on Directors' Remuneration
continued

Fees for the Chairman and NEDs

The Non-Executive Chairman's remuneration is determined by the Committee and the NEDs' remuneration is determined by the Executive Directors and the Chairman, all of which is based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual NEDs do not take part in discussions regarding their own fees. NEDs receive no other benefits. As reported elsewhere >> 67, Non-Executive Directors' fees are subject to a 25% temporary reduction from 1 April 2020 subject to later review. A summary of the fees for 2020 are as follows:

	Substantive fee at 1 January 2019 £'000	Substantive fee at 1 January 2020 £'000	Temporary fee at 1 April 2020 £'000	(% decrease)
Non-Executive Chair	180	180	135	(25%)
Deputy Chair	88	88	66	(25%)
Senior Independent Director	80	80	60	(25%)
Base fee	65	65	48.75	(25%)
Committee Chair fee	8	8	6	(25%)

Directors' remuneration earned in 2019

The table below summarises Directors' remuneration received in 2019 with comparisons, where appropriate, to 2018.

	Base salary and fees[1] USD'000		Benefits and allowances[2] USD'000		Short-term incentives USD'000		Long-term incentives[3] USD'000		End-of-service gratuity[4] USD'000		Total remuneration USD'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors												
Christopher McDonald	700	700	245	244	–	249	27[5]	52	42	39	1,014	1,284
Tony Wright	410	410	216	215	–	128	–	–	31	30	657	783
Non-Executive Directors												
John Malcolm	229	247									229	247
Debra Valentine	115	114									115	114
Mel Fitzgerald	93	100									93	100
James Dewar	93	100									93	100
Nicholas Garrett	83	89									83	89

1. All Directors' pay is reported above in USD. Christopher McDonald's pay is determined in USD and paid in AED. Tony Wright is remunerated in AED. Debra Valentine's remuneration is determined in GBP and paid in USD, and the remuneration of John Malcolm, Mel Fitzgerald, Nicholas Garrett and James Dewar is determined and paid in GBP.
2. Benefits and allowances include housing, private medical insurance, life insurance, club membership, the use of a company car and driver, private fuel card, airfare tickets, children's schooling and utility expenses. The table below summarises the main benefits and allowances.
3. The LTIP awarded in 2017 failed to achieve the minimum necessary for the shares that were due to vest in 2020 with a performance period of the three years ending 31 December 2019.
4. End-of-service gratuity is the provision accrued during the year. In accordance with the provisions of IAS 19, the present value of Directors' end-of-service gratuity obligations under UAE labour law have been valued using the projected unit credit method, as at 31 December 2019 and 2018. Under this method an assessment has been made of a Director's expected service with the Group and the expected base salary on the date of termination. As part of the valuation we have assumed an average base salary increment of 0% p.a. (2018: 0%). The expected liability on the date of termination has been discounted to its net present value using a discount rate of 2.8% p.a. (2018: 3.9% p.a).
5. On 1 October 2019, Christopher McDonald vested in 46,811 retention shares, at a vesting share price of £0.46 and exchange rate of $1.25/£1.00 delivering a value of $26,916. At the date of grant (1 October 2016), the face value of the grant was USD 42,339 based on the share price of £0.73 and exchange rate of USD 1.239/£1.00.

Summary of benefits and allowances

	Housing USD'000	Vehicle USD'000	Children's education USD'000	Annual leave tickets USD'000	Medical and life insurance USD'000	Other USD'000	Total USD'000
Christopher McDonald	125	27	20	36	25	12	245
Tony Wright	105	21	27	39	16	8	216

Short-Term Incentive Plan 2019: Performance against targets

CEO and CFO

Metric	Weighting as % of maximum annual opportunity	Stretch target	Actual performance	Pay-out outcome as % of maximum annual opportunity
EBITDA[1]	25%	(USD 10m)	USD (64.6)	0%
Net cash[2]	25%	USD 70m	USD 42.5m	0%
Backlog[3]	25%	USD 600m	USD 478.3m	0%
Personal goals – CEO	25%	n/a	50%	0%
Personal goals – CFO	25%	n/a	50%	0%

1. EBITDA targets were in the range of (USD 40m) (threshold) to (USD 30m) (target) and (USD 10m) (stretch).
2. Net Cash targets were in the range of USD 15m (threshold) to USD 50m (target) and USD 70m (stretch).
3. Backlog targets were in the range of USD 325m (threshold) to USD 400m (target) and USD 600m (stretch).

The plan did not pay out for any performance metric due to the fact that threshold performance against the Backlog target was not achieved. Accordingly, the Committee was not required to use any discretion in the assessment. At 'threshold' performance, the pay-outs would have been USD 140,000 for Christopher McDonald and USD 70,000 for Tony Wright. At 'target' performance, the pay-outs would have been USD 420,000 for Christopher McDonald and USD 209,000 for Tony Wright.

The outcome of achievement against the personal goals of the CEO and CFO was as follows:

CEO

Personal goal	Weighting	Performance outcome	Pay-out outcome as a % of maximum
HSE	25%	25%	0%
Strategic initiatives	45%	15%	0%
Financial	20%	0%	0%
Team development	10%	10%	0%

CFO

Personal goal	Weighting	Performance outcome	Pay-out outcome as a % of maximum
HSE	20%	10%	0%
Strategic initiatives	20%	10%	0%
Liquidity	30%	10%	0%
New technology	10%	10%	0%
Asset management	20%	10%	0%

Report on Directors' Remuneration
continued

Long-term incentive awards granted during the year

On 5 April 2019, an award of 1,402,399 performance shares was made to Christopher McDonald, at a face value of £799,367 and an award of 657,124 performance shares was made to Tony Wright, at a face value of £374,561 in accordance with the Company's performance share plan rules and with associated performance conditions >> 75. These 2019 LTIP conditional share awards vest in full on 4 April 2022, subject to achieving the performance conditions relating to relative TSR, three-year cumulative net profit and cumulative sales. The awards are subject to a holding period of two years following the date of vesting. The calculation of the awards to the CEO and CFO was based on: i) 150% and 120% of annual base salary at 1 April 2019 respectively; ii) the average closing mid-market share price quote in the ten dealing days prior to the date of grant (£0.57); and iii) the average mid-market USD/GBP exchange rate quoted by XE.com in the 10 dealing days prior to the date of grant (USD 1.314/£1.00).

Directors' interests in share plan awards

The Directors hold interests in long-term incentive awards under the Company's incentive plans as at 31 December 2019 as set out below.

LTIP awards

The following table sets out the interests of the Executive Directors in relation to LTIP awards:

Executive Director	At 1 January 2019	Awarded in 2019	Date of vesting	Vested in 2019	Lapsed in 2019	At 31 December 2019
Christopher McDonald	2,430,363	1,402,399	04.04.22	0	923,234	2,909,528
Tony Wright	1,118,654	657,124	04.04.22	0	383,032	1,392,746

Awards will normally vest on the third anniversary of the date of grant of the award, subject to any applicable performance conditions having been satisfied. Further details on the targets are set out above at page >> 75.

Directors' interests in ordinary shares

The Committee has adopted a formal policy requiring the Executive Directors to build and maintain, through the award of shares by the Company, a shareholding in the Company equivalent to 200% of base salary. Until such time as this threshold is achieved there is a requirement for executives to retain the net proceeds of all vested share awards. Mr McDonald and Mr Wright have not currently achieved these guidelines.

In accordance with the Listing Rules, the Company discloses the beneficial interests of the Directors in the share capital of the Company as at 31 December 2019 as set out below. There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2020 to 12 May 2020, being the last practicable date that the Company is able to report on Directors' interests.

	Beneficially owned at 31 Dec 2019	Beneficially owned at 31 Dec 2018	Ordinary shares held	Outstanding awards (retention only)	Outstanding awards (subject to conditions)	Share-holding as % of base salary[2]	Share-holding requirement met?
Executive Directors							
Antony Wright	1,434,131	1,160,039	41,385	0	1,392,746	1.5%	No
Christopher McDonald[1]	3,651,023	3,319,189	741,495	0	2,909,528	15.8%	No
Non-Executive Directors							
John Malcolm	0	0	0	–	–	–	–
Debra Valentine	0	0	0	–	–	–	–
Nicholas Garrett	0	0	0	–	–	–	–
James Dewar	40,000	40,000	40,000	–	–	–	–
Mel Fitzgerald	11,700	11,700	11,700	–	–	–	–

1. This comprises the LTIP award in 2016 as well as the compensatory awards issued by the Company to Mr McDonald on appointment.
2. Calculated at a share price of £0.12 and exchange rate of USD 1.24/£1.00.

Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is available for inspection at the Company's registered office during business hours.

Payments to former Directors

There were no payments made to former Directors during the year.

Payments for loss of office

There were no payments for loss of office during the year.

Percentage change in remuneration levels

The table below shows the movement in base salary, benefits and annual bonus for the CEO between the 2019 and 2018 financial years, compared to that for the average employee of the Group.

	% change
Chief Executive Officer	
Base salary	0%
Benefits	0%
STIP	See Note 1
All employees	
Base salary	+3%
Benefits	+1%
Bonus	See Note 2

1. CEO STIP bonus pay-out in respect of 2019 was 0% of base salary compared to 35.6% in 2018.
2. All employees average bonus pay-out in respect of 2019 was 0% of base salary compared to 4% in 2018.

Relative importance of the spend on pay

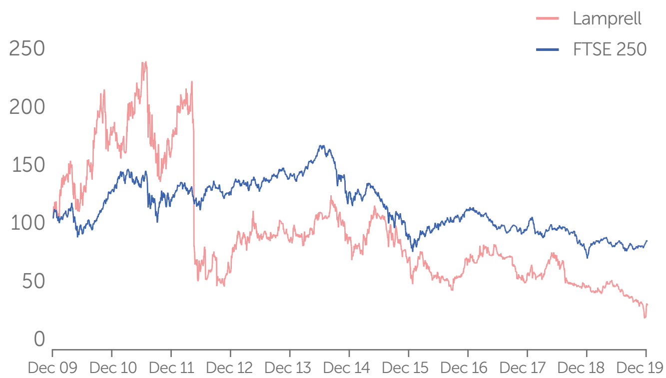
The table below shows the spend on staff costs in the financial year, compared to dividends and share buybacks (of which there were none):

	2019 USD'000	**2018 USD'000**	**% change**
Staff costs	124,580	112,405	+10.8%
Dividends	–	–	0.00%

Performance graph and CEO pay

The graph below shows the growth in value of a notional £100 invested in the Company compared to the FTSE World Oil Equipment and Services Index, which is used as the basis for one of the Company's LTIP metrics. The graph covers the time period from 31 December 2009 to 31 December 2019.

Share price performance: Dec 2009 – Dec 2019



The total remuneration figures for the CEO during the last ten financial years are shown in the table below. Consistent with the calculation methodology for the single figure of total remuneration, the total remuneration figure includes the total STIP award based on that year's performance and the long-term incentive award based on the three-year performance period ending in the relevant year. The annual STIP pay-out and long-term incentive award vesting level as a percentage of the maximum opportunity are also shown for each year.

	Year ending 31 December (USD'000)												
	2019	**2018**	**2017**	**2016**	**2016**	**2015**	**2014**	**2013**	**2013**	**2012**	**2012**	**2011**	**2010**
CEO	McDonald	McDonald	McDonald	McDonald[1]	Moffat[2]	Moffat	Moffat	Moffat	Whitbread[3]	Whitbread	McCue[4]	McCue	McCue
Total remuneration	1,014	1,285	1,564	262	891	1,349	1,716	1,652	1,504	352	2,739	2,094	1,824
Annual STIP %	0%	35.6%	0%	0%	0%	45%	91%	99%	0%	0%	0%	72.3%	100%
LTIP vesting %	3.8%[5]	7.4%[5]	0%	0%	100%	0%	0%	0%	0%	0%	100%	100%	0%

1. Christopher McDonald was appointed as CEO on 1 October 2016.
2. James Moffat was appointed as CEO on 1 March 2013 and stepped down on 30 September 2016.
3. Peter Whitbread was appointed as interim CEO on 4 October 2012 and his employment ceased on 30 June 2013.
4. Nigel McCue's employment ceased on 3 October 2012.
5. Vesting of shares granted in recruitment awards.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report, including both the Directors' Remuneration Policy and the Report on Directors' Remuneration, was approved by the Board on 12 May 2020.

Debra Valentine

Chair of the Remuneration and Development Committee

Statutory information and Directors' statements

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2019. This report has been prepared in accordance with applicable regulatory requirements, including Disclosure Guidance and Transparency Rule 4. This statutory information forms part of the Directors' report by reference and the other elements of the Directors' report can be found elsewhere in this report, in the Strategic Report >> 1 and the Corporate Governance Report >> 46.

Memorandum and Articles of Association

The Company's Memorandum of Association sets out the objectives and powers of the Company. The Articles of Association detail the rights attaching to each share class, the method by which the Company's shares can be purchased or reissued and the provisions which apply to the holding of and voting at general meetings. The Articles also set out the rules relating to Directors (including by way of example, their appointment, election, retirement, duties and powers).

Capital structure and corporate authorities

Details of the authorised and issued share capital together with details of movements in share capital during the year are included in Note >> 26 to the financial statements. The Company has one class of shares in issue, ordinary shares of 5 pence each, all of which are fully paid. Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the Articles and applicable laws. There are no restrictions on the transfer of shares.

Details of the Company's employee share schemes are disclosed in the Report on Directors' Remuneration >> 73 and in Note 9 to the financial statements. The awards under the Lamprell plc Free Share Award Plan, Retention Share Plan and Long-Term Incentive Plan are granted at nil (or nominal) cost.

Pursuant to the Company's share schemes, the Employee Benefit Trust as at the year-end, held a total of 16,268 (2018: 16,268) ordinary shares of 5 pence, representing less than 0.01% (2018: >0.01%) of the issued share capital. If another company takes control of the Company, the employee share schemes have set change of control provisions whereby, in certain circumstances and approved proportions, they are allowed to vest early or to be exchanged for awards of equivalent value in the acquiring company.

At the 2019 AGM, the shareholders approved the following authorities: (i) for the Company to make market purchases of up to 33,000,000 ordinary shares, representing approximately 10% of the Company's then issued ordinary share capital; (ii) for the Directors to allot unissued shares up to a maximum nominal amount of £4,900,000 (representing approximately 30% of the Company's current issued ordinary share capital) to existing shareholders; and

	Granted		Outstanding	
	2019	**2018**	**2019**	**2018 and prior**
Lamprell plc Free Share Plan	Nil	Nil	Nil	Nil
Lamprell plc Retention Share Plan	2,279,117	2,939,323	2,210,727	3,848,850
Lamprell plc Executive Share Option Plan	Nil	Nil	Nil	Nil
Lamprell plc Long-Term Incentive Plan	5,364,598	2,603,861	5,178,994	4,815,658

(iii) for the Directors to issue equity securities of the Company for cash to persons other than existing shareholders, under certain conditions, up to an aggregate nominal value of £825,000 (representing approximately 5% of the current issued ordinary share capital).

These authorities will expire at the 2020 AGM when new authorities will be sought from shareholders on similar terms. Details of the requested authorities are set out in the Notice of AGM which accompanies this Annual Report.

Contracts of significance

In 2017, the Group entered into a joint venture agreement for the establishment of a major new maritime yard in Saudi Arabia. This agreement commits the Company to invest up to USD 140 million in equity in this new yard over the course of the coming 5-6 years (of which approximately USD 59 million has already been invested) and includes certain provisions which could impact the Company's fair market value upon a change of control in the Company. Details are available on the Company's website and were approved by shareholders at the extraordinary general meeting in mid-2017.

Apart from the joint venture agreement and the Controlling Shareholder Agreement, the Company or Group does not have contractual or other arrangements which are significant to its business with any person.

Going concern/viability

The Company's business activities, together with the factors likely to affect its future development, performance and competitive position, are set out in the Strategic Report >> 1.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Operational and Financial Review >> 36.

The Group's consolidated financial statements have been prepared on a going concern basis as described in the Operational and Financial Review and further discussed in Note 2.1.

The Directors have published their viability statement for the Company on page >> 39.

Directors' responsibility statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 12 May 2020 and is signed on its behalf by:

Alex Ridout

Company Secretary

By order of the Board
12 May 2020

Independent auditor's report to the members of Lamprell plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Lamprell plc (the 'Parent Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Isle of Man Companies Acts 1931-2004.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated and Parent Company cash flow statements; and
- the related Notes 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Isle of Man Companies Acts 1931-2004.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in Note 15 to the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty relating to going concern

We draw attention to Note 2.1 in the financial statements, concerning the Group's and Company's ability to continue as a going concern. The Group incurred a loss before tax of USD 183.5 million during the year ended 31 December 2019 (31 December 2018: USD 70.7 million) and had cash and cash equivalents of USD 26.2 million at 31 December 2019 (2018: USD 38.7 million). The Group's borrowings at 31 December 2019 were USD 20.1 million (2018: USD 20.0 million), which was fully repaid in March 2020 prior to the expiry of the facility in April 2020.

In performing their assessment of going concern, the Directors have considered forecast cash flows to July 2021. The timing and realisation of a number of key assumptions within the forecasts are not wholly within management's control. Moreover, uncertainties resulting from turmoil in the oil and gas market and the COVID-19 pandemic may materially affect these assumptions, particularly the timing and probability of a required refinancing, new major contract awards and/or the Group's ability to meet project milestones in the event of compulsory closure of its yard(s) by the relevant jurisdictional authorities.

In response to this, we:

- obtained an understanding of the relevant controls relating to the going concern assessment;
- with the assistance of restructuring specialists, challenged the appropriateness of management's key assumptions in the cash flow forecasts as described in Note 2.1 by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing management's consideration of downside sensitivity analyses. This included assessing the viability of mitigating actions within management's control;
- with the assistance of modelling specialists, tested the clerical accuracy and functionality of the model used to prepare the forecasts;
- assessed the historical accuracy of forecasts prepared by management;
- reviewed and challenged the bid pipeline and the related future cash flows in the model. For each key cash flow we assessed the risks associated with the cash flow;
- challenged management's assumption that no further cash contributions will be made to fund the IMI joint venture within the going concern period and considered the potential contractual consequences of this;
- engaged in regular discussions with the directors with regard to the status of negotiations in respect of new financing options;
- discussed the nature and probability of refinancing options with the broker appointed to advise the Group;
- assessed the East Anglia ONE contract settlement and the probability of the receipt of restricted cash relating to the EA1 project performance guarantee;
- assessed and challenged key assumptions and mitigating actions put in place in response to COVID-19 and the oil price reduction, and wider liquidity pressures on the Group; and
- considered the consistency of management's forecasts with other areas of the audit, including the impairment financial models and the forecasts used to prepare the viability statement page 39.

As stated in Note 2.1, these events or conditions, along with the other matters as set forth in this note to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty relating to going concern section); • Recoverability of non-current assets: PP&E and intangibles; and • Accounting for the East Anglia ONE settlement agreement. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was USD 5 million, which equates to 1.9% of revenue. Our benchmark was determined on a different basis compared to last year.
Scoping	We performed a full scope audit of the consolidated Lamprell Group, covering 100% of the Group's net assets and 100% of revenue.
Significant changes in our approach	Changes to key audit matters in comparison to the prior year were: • We concluded that there is a material uncertainty related to the going concern basis of preparation as noted above; and • In light of the East Anglia ONE contractual settlement, the key audit matter focusses on ensuring the terms of the settlement have been appropriately reflected in the financial statements. In the prior year, the focus was on the estimation aspects of contract revenue and costs.

5. Conclusions relating to principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 45-50 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 39 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 39 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to going concern and the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the company to continue over the time horizon considered appropriate by the directors.

Aside from the impact of the matters disclosed in the material uncertainty relating to going concern section, we confirm that we have nothing material to add or draw attention to in respect of these matters.

Independent auditor's report to the members of Lamprell plc
continued

6. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

6.1. Recoverability of non-current assets: PP&E and intangibles

Key audit matter description	The Group has property, plant and equipment 'PP&E' and intangibles which are material to the Group's Balance sheet. Due to the low levels of activity, limited bidding success in the year and slow recovery in the market, the Group identified impairment indicators for non-current assets in the United Arab Emirates ("UAE") cash generating unit ("CGU"). Management performed an impairment assessment as at 31 December 2019, in accordance with IAS 36 *Impairment of assets*. As disclosed in Note 4.2.2, where indicators exist, an impairment test is undertaken which requires management to estimate the recoverable amount of its assets, being the higher of the value in use and the fair value less costs of disposal ("FVLCD"). For the 2019 assessment, management performed both a value in use and FVLCD exercise. The value in use calculation is particularly sensitive to discount rate and forecast revenue assumptions. The Group engaged external valuation experts to assist with determining the FVLCD of the PP&E. In respect of PP&E, the recoverable amount was established through this FVLCD exercise. In respect of intangible assets which generate cash inflows in combination with other assets, value in use was used to establish recoverable amount. Based on the exercise completed by management, an impairment loss of USD 79.3 million (31 December 2018: nil) has been recorded during the year comprising USD 52.2 million impairment of PP&E and USD 27.1 million of intangible assets. The resultant carrying amounts at 31 December 2019 of PP&E was USD 160.1 million (2018: USD 159.5 million), and of intangible assets was USD nil (2018: USD 29.9 million). The 2019 PPE balance includes a right of use asset of USD 52.4 million from the adoption of IFRS 16 *Leases* in the year for which there is no corresponding amount in 2018.

6. Key audit matters (continued)

6.1. Recoverability of non-current assets: PP&E and intangibles (continued)

How the scope of our audit responded to the key audit matter	We performed the following procedures on the value in use model: • obtained an understanding of relevant controls over the preparation of the PP&E and intangibles impairment assessment; • challenged, benchmarked and analysed the revenue growth assumptions against market data; • together with valuation specialists, we reviewed the cash flow model and benchmarked the components of the discount rate and the terminal growth rate applied; • evaluated management's historical forecasting accuracy, specifically in respect of revenue, gross profit margins and overheads; • challenged the forecast new contract awards and, where possible, sought corroborative evidence by way of tender requests or enquiries received; • reviewed the forecast revenue and challenged the operational yard capacity required to deliver the forecast revenue; • verified estimated future overhead costs by agreeing to approved budgets where applicable; • evaluated management's forecasts on expected capital expenditure in the forecast period against the capital expenditure that was incurred when revenue levels were higher or in line with the forecasted revenue; and • challenged the terminal year assumptions to assess whether it included cash outflows into perpetuity which would reflect a maintainable level of lease costs irrespective of the lease term. We performed the following procedures on the FVLCD exercise: • together with internal specialists, met with and challenged the valuations performed by management's valuation experts on the PP&E assets; • together with our specialists, evaluated the competence, capabilities and objectivity of management's valuation experts and the appropriateness of their work as audit evidence; • challenged management's valuation experts on the dismantling and installation costs that were required to be considered in the FVLCD exercise; and • we considered the costs to dispose determined by management by benchmarking to industry standards and developed an estimate to determine if management's valuation experts' conclusions fell within a reasonable range.
Key observations	Based on our work performed we consider the impairment charge and resultant carrying value of non-current assets recorded to be reasonable. We communicated observations to the audit committee and those charged with governance on the controls over the impairment assessment.

Independent auditor's report to the members of Lamprell plc continued

6. Key audit matters (continued)

6.2. Accounting for the East Anglia ONE settlement agreement

Key audit matter description	The Group encountered significant operational challenges on the East Anglia ONE project as first reported in 2017. As set out in Note 40, on 23 April 2020, a contract settlement was reached with the Group's customer. This settlement removes the risk of liquidated damages and results in a final overall loss on the project of USD 118.2 million (31 December 2018: USD 89.4 million). It also establishes the warranty regime for the jackets that the Group fabricated and supplied under the contract. The increase in the loss on the contract has been charged to the income statement in the year. As at December 2019, in line with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, management recognised a warranty provision based on its best estimate of the magnitude and timing of future costs to be incurred under the warranty provisions in the final settlement agreement.
How the scope of our audit responded to the key audit matter	We performed the following procedures related to the East Anglia ONE project: • obtained an understanding of relevant controls over the estimation of the warranty provision; • reviewed the signed settlement agreement to determine any further impact on the project position and expected timing of final payments; • reviewed management's technical paper, which includes an explanation of the warranty regime under the settlement agreement and the estimation of the warranty provision; • reviewed and assessed evidence from Lamprell's external expert and internal engineer on their assessment of the technical data that will be used throughout the warranty regime to inform management's judgements around the appropriateness of the provision; • evaluated the competence, capabilities and objectivity of the expert and evaluated the appropriateness of their work as audit evidence; and • held meetings with Lamprell's internal engineers as well as management's external expert to understand management's position and challenge their conclusions on the technical input and the resulting warranty provision.
Key observations	Based on procedures performed we are satisfied that the warranty provision represents a materially accurate estimate of the present value of future costs that may be incurred in relation to the warranty provisions within the settlement agreement.

7. Our application of materiality

7.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	USD 5million (2018: USD 4.3 million)	USD 4.7million (2018: USD 4.1 million)
Basis for determining materiality	The Group materiality that we used in the current year was determined after considering asset and performance measures, and equates to 1.9% of revenue and 2.4% of net assets. 2018 materiality was based on 1.1% of net assets and was equivalent to 1.8% of revenue.	The Parent Company materiality was determined taking into account Group materiality and Group performance materiality.
Rationale for the benchmark applied	With reduction to the Group's backlog, net assets alone was no longer considered a stable base on which to establish materiality, given the possibility of a material impairment to non-current assets. In the prior year a lower materiality was selected reflecting the operational challenges and consequential elevated accounting judgements on the East Anglia ONE contract. In light of operational completion of the contract in 2019 and the progress made with respect to the contract settlement negotiations, we concluded that a reduced materiality was no longer required.	We determined a Parent Company performance materiality for the purposes of our Group audit. We then used this to establish an appropriate Parent Company materiality of USD 4.7 million, which represents 95% of Group materiality.

7.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality we considered factors including our risk assessment and our assessment of the Group's overall control environment, in particular the operating effectiveness of certain internal controls over expenditure.

7.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.25million (2018: £0.2million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report to the members of Lamprell plc continued

8. An overview of the scope of our audit

8.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment and assessing the risks of material misstatements at the Group level.

The Group audit team performed a full scope audit of the Group's operations which are primarily in the UAE and comprises 100% of the Group's net assets and 100% of revenue.

We have one component audit team who performed a full scope audit on the Industrial Maritime Services ("IMI") associate in Saudi Arabia. A senior member of the Group audit team visited the Saudi Arabia component auditor during the year to attend the local audit close meeting and conduct a review of their audit file.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

We have obtained an understanding of the Group's system of internal controls and undertaken a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible.

9. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

10. Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

12. Matters on which we are required to report by exception
Under the Isle of Man Companies Acts 1931 to 2004 we are required to report in respect of the following matters if, in our opinion:

- proper books of account have not been kept by the company and that proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the books of account and returns; or
- we have not received all the information and explanations which to the best of our knowledge and belief, are necessary for the purpose of our audit; or
- certain disclosures of directors' loans and remuneration specified by law are not been complied with.

We have nothing to report in respect of these matters.

13. Use of our report
This report is made solely to the company's members, as a body, in accordance with Section 15 of the Isle of Man Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Dean Cook MA FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

12 May 2020

Consolidated income statement
for the year ended 31 December 2019

	Notes	2019 USD'000	2018 USD'000
Revenue	6	260,448	234,074
Cost of sales	7	(288,052)	(243,187)
Gross loss		(27,604)	(9,113)
Selling and distribution expenses	8	(1,502)	(1,144)
General and administrative expenses*	10	(140,324)	(45,171)
Other gains – net	13	286	32
Operating loss		(169,144)	(55,396)
Finance costs	12	(8,327)	(5,678)
Finance income	12	1,023	2,165
Finance costs – net		(7,304)	(3,513)
Share of loss of investments accounted for using the equity method – net	20	(7,934)	(10,576)
Loss before income tax		(184,382)	(69,485)
Income tax gain/(expense)		868	(1,171)
Loss for the year		(183,514)	(70,656)
Loss per share attributable to the equity holders of the Company during the period	14		
Basic		(53.71)c	(20.67)c
Diluted		(53.71)c	(20.67)c

* General and administrative expenses include an impairment charge of USD 79.3 million (31 December 2018: nil) recognised in respect of property, plant and equipment and intangible assets due to restructuring USD 13.2 million and year-end assessments USD 66.1 million (Note 41).

The Notes on pages 98 to 142 form an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 USD'000	2018 USD'000
Loss for the year		(183,514)	(70,656)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-employment benefit obligations	28	(3,074)	851
Share of other comprehensive loss of equity accounted investments	20	(215)	–
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	27	308	(160)
Reclassification on cash flow hedges	27	–	(1,360)
Other comprehensive loss for the year		(2,981)	(669)
Total comprehensive loss for the year		(186,495)	(71,325)

The Notes on pages 98 to 142 form an integral part of these financial statements.

Consolidated balance sheet
at 31 December 2019

	Notes	2019 USD'000	2018 (Restated) USD'000	2017 (Restated) USD'000
Assets				
Non-current assets				
Property, plant and equipment	17	160,077	159,462	171,725
Intangible assets	18	–	29,945	31,715
Investments accounted for using the equity method	20	44,420	53,321	25,908
Trade and other receivables		–	–	839
Term and margin deposits	24	432	333	13,426
Derivative financial instruments		–	–	153
Total non-current assets		204,929	243,061	243,766
Current assets				
Inventories	21	89,758	90,623	50,509
Trade and other receivables	22	37,431	68,050	163,866
Contract assets	23	40,384	54,931	–
Derivative financial instruments	29	–	218	1,513
Cash and cash equivalents	24	26,162	38,684	104,762
Term and margin deposits	24	35,922	60,787	178,255
Total current assets		229,657	313,293	498,905
Total assets		434,586	556,354	742,671
Liabilities				
Current liabilities				
Borrowings	33	(20,058)	(19,768)	(39,491)
Trade and other payables	30	(93,469)	(83,892)	(200,573)
Contract liabilities	31	(3,826)	(22,373)	–
Lease liabilities	38	(1,985)	–	–
Current tax liabilities		(177)	(1,114)	(191)
Provision for warranty costs and other liabilities	32	(11,440)	(4,166)	(7,475)
Total current liabilities		(130,955)	(131,313)	(247,730)
Net current assets		98,702	181,980	251,175
Non-current liabilities				
Lease liabilities	38	(55,388)	–	–
Provision for employees' end-of-service benefits	28	(36,863)	(32,088)	(34,129)
Total non-current liabilities		(92,251)	(32,088)	(34,129)
Total liabilities		(223,206)	(163,401)	(281,859)
Net assets		211,380	392,953	460,812
Equity				
Share capital	26	30,346	30,346	30,346
Share premium	26	315,995	315,995	315,995
Other reserves	27	(19,335)	(19,643)	(18,123)
Retained (losses)/earnings		(115,626)	66,255	132,594
Total equity attributable to the equity holders of the Company		211,380	392,953	460,812

The financial statements on pages 90 to 142 were approved and authorised for issue by the Board of Directors on 12 May 2020 and signed on its behalf by:

Christopher McDonald
Chief Executive Officer and Director

Antony Wright
Chief Financial Officer and Director

The Notes on pages 98 to 142 form an integral part of these financial statements.

Company balance sheet

at 31 December 2019

	Notes	2019 USD'000	2018 USD'000
Assets			
Non-current assets			
Investment in subsidiaries	19	86,858	558,355
Due from related parties	25	15,530	14,817
Total non-current assets		102,388	573,172
Current assets			
Other receivables		109	190
Cash and bank balance		377	201
Total current assets		486	391
Total assets		102,874	573,563
Liabilities			
Current liabilities			
Accruals		(139)	(493)
Due to related parties	25	(481)	(787)
Total current liabilities		(620)	(1,280)
Net current assets		(134)	(889)
Non-current liabilities			
Provision for employees' end-of-service benefits	28	(380)	(280)
Total liabilities		(1,000)	(1,560)
Net assets		101,874	572,003
Equity			
Share capital	26	30,346	30,346
Share premium	26	315,995	315,995
Other reserve	27	–	189,052
Retained (losses)/earnings		(244,467)	36,610
Total equity attributable to the equity holders of the Company		101,874	572,003

The financial statements on pages 90 to 142 were approved and authorised for issue by the Board of Directors on 12 May 2020 and signed on its behalf by:

Christopher McDonald
Chief Executive Officer and Director

Antony Wright
Chief Financial Officer and Director

The Notes on pages 98 to 142 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Notes	Share capital USD'000	Share premium USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2018		30,346	315,995	(18,123)	132,594	460,812
Loss for the year		–	–	–	(70,656)	(70,656)
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	28	–	–	–	851	851
Currency translation differences	27	–	–	(160)	–	(160)
Reclassification of gain on cash flow hedges	27	–	–	(1,360)	–	(1,360)
Total comprehensive loss for the year		–	–	(1,520)	(69,805)	(71,325)
Transactions with owners:						
Share-based payments:						
– value of services provided	9	–	–	–	3,688	3,688
– treasury shares purchased		–	–	–	(222)	(222)
Total transactions with owners		–	–	–	3,466	3,466
At 31 December 2018		30,346	315,995	(19,643)	66,255	392,953
Loss for the year		–	–	–	(183,514)	(183,514)
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	28	–	–	–	(3,074)	(3,074)
Share of other comprehensive loss accounted for using the equity method		–	–	–	(215)	(215)
Currency translation differences	27	–	–	308	–	308
Total comprehensive loss for the year		–	–	308	(186,803)	(186,495)
Transactions with owners:						
Share-based payments:						
– value of services provided	9	–	–	–	4,993	4,993
– treasury shares purchased		–	–	–	(71)	(71)
Total transactions with owners		–	–	–	4,922	4,922
At 31 December 2019		30,346	315,995	(19,335)	(115,626)	211,380

The Notes on pages 98 to 142 form an integral part of these financial statements.

Company statement of changes in equity

	Notes	Share capital USD'000	Share premium USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2018		30,346	315,995	189,059	33,038	568,438
Profit for the year		–	–	–	100	100
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	28	–	–	–	6	6
Currency translation differences	27	–	–	(7)	–	(7)
Total comprehensive income for the year		–	–	(7)	106	99
Transactions with owners:						
Share-based payments:						
– value of services provided	9	–	–	–	1,043	1,043
– investment in subsidiaries	19	–	–	–	2,645	2,645
– treasury shares issued		–	–	–	(222)	(222)
Total transactions with owners		–	–	–	3,466	3,466
At 31 December 2018		30,346	315,995	189,052	36,610	572,003
Loss for the year		–	–	–	(475,023)	(475,023)
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	28	–	–	–	(27)	(27)
Total comprehensive loss for the year		–	–	–	(475,050)	(475,050)
Transactions with owners:						
Share-based payments:						
– value of services provided	9	–	–	–	1,298	1,298
– investment in subsidiaries	19	–	–	–	3,694	3,694
– treasury shares issued		–	–	–	(71)	(71)
Transferred to retained earnings	27	–	–	(189,052)	189,052	–
Total transactions with owners		–	–	(189,052)	193,973	4,921
At 31 December 2019		30,346	315,995	–	(244,467)	101,874

The Notes on pages 98 to 142 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2019

	Notes	2019 USD'000	2018 (Restated) USD'000
Operating activities			
Cash used in operating activities	39	(7,739)	(124,836)
Tax paid		(69)	(248)
Net cash used in operating activities		(7,808)	(125,084)
Investing activities			
Purchases of property, plant and equipment	17	(19,817)	(7,979)
Proceeds from sale of property, plant and equipment		82	50
Purchases of intangible assets	18	(1,012)	(2,019)
Investment in an associate or joint venture	20	–	(39,102)
Dividend received from an associate	20	901	1,113
Finance income	12	1,023	2,165
Inflows from deposits with original maturity of more than three months		10,333	131,877
Outflows from deposit with original maturity of more than three months		–	(226)
Inflows from margin deposits under lien (with original maturity more than three months)		15,987	17,094
Outflows from margin deposits under lien (with original maturity more than three months)		(2,811)	(17,148)
Net inflows from margin deposits under lien (with original maturity less than three months)		1,257	(1,036)
Net cash generated from investing activities		5,943	84,789
Financing activities			
Repurchase of treasury shares		(71)	(222)
Proceeds from borrowings		40,000	–
Repayments of borrowings		(40,000)	(20,000)
Finance costs		(8,037)	(5,401)
Repayment of lease liabilities	38	(2,857)	–
Net cash used in financing activities		(10,965)	(25,623)
Net decrease in cash and cash equivalents		(12,830)	(65,918)
Cash and cash equivalents, beginning of the year		38,684	104,762
Exchange rate translation		308	(160)
Cash and cash equivalents, end of the year from continuing operations	24	26,162	38,684

The Notes on pages 98 to 142 form an integral part of these financial statements.

Company cash flow statement
for the year ended 31 December 2019

	Notes	2019 USD'000	2018 USD'000
Operating activities			
(Loss)/profit for the year	34	(475,023)	100
Adjustments for:			
Impairment of investment in subsidiary	19	475,191	–
Share-based payment – value of services provided	9	1,298	1,043
Provision for employees' end-of-service benefits	28	73	69
Operating cash flows before payment of employees' end-of-service benefits and changes in working capital		1,539	1,212
Changes in working capital:			
Other receivables		81	52
Accruals		(354)	(748)
Due from related parties	25	(713)	2,119
Due to related parties	25	(306)	(2,368)
Net cash generated from operating activities		247	267
Financing activities			
Repurchase of treasury shares		(71)	(222)
Net cash used in financing activities		(71)	(222)
Net increase in cash and cash equivalents		176	45
Cash and cash equivalents, beginning of the year		201	163
Exchange rate translation		–	(7)
Cash and cash equivalents, end of the year		377	201

The Notes on pages 98 to 142 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2019

1 Legal status and activities

Lamprell plc (the Company/the parent company) was incorporated and registered on 4 July 2006 in the Isle of Man as a public company limited by shares under the Isle of Man Companies Acts with the registered number 117101C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited (LEL) from Lamprell Holdings Limited (LHL), under a share-for-share exchange agreement dated 25 September 2006 and this transaction was accounted for in the consolidated financial statements using the uniting of interest method (Note 27). The Company was admitted to the Alternative Investment Market (AIM) of the London Stock Exchange with effect from 16 October 2006. From 6 November 2008, the Company moved from AIM and was admitted to trading on the London Stock Exchange (LSE) plc's main market for listed securities. The address of the registered office of the Company is First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man and the Company is managed from the United Arab Emirates (UAE). The address of the principal place of the business is PO Box 33455, Dubai, UAE.

The principal activities of the Company and its subsidiaries (together referred to as 'the Group') are: assembly and new build construction for the offshore oil and gas and renewable sectors; fabricating packaged, pre-assembled and modularised units; constructing accommodation and complex process modules for onshore downstream projects; construction of complex living quarters, wellhead decks, topsides, jackets and other offshore fixed facilities; rig refurbishment; land rig services; engineering and construction and operations and maintenance.

The Company has either directly or indirectly the following subsidiaries:

Name of subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Place of incorporation
Lamprell Energy Limited (LEL)	100	100	Isle of Man
Lamprell Investment Holdings Ltd. (LIH)	100	100	British Virgin Islands
Lamprell Dubai LLC (LD)	49*	100	UAE
Lamprell Sharjah WLL (LS)	49*	100	UAE
Maritime Offshore Limited (MOL)	100	100	Isle of Man
Maritime Offshore Construction Limited (MOCL)	100	100	Isle of Man
Cleopatra Barges Limited (CBL)	100	100	British Virgin Islands
Lamprell plc Employee Benefit Trust (EBT)	100	†	Unincorporated
Maritime Industrial Services Co. Ltd. Inc (MIS)	100	100	Republic of Panama
Maurlis International Ltd. Inc (MIL)	100	100	Republic of Panama
Rig Metals LLC (RIM)	49*	100	UAE
Maritime Industrial Services Co. Ltd. & Partners (MISCLP)	70*	100	Sultanate of Oman
Global Investment Co. Ltd. Inc (GIC)	100	100	Republic of Panama
Sunbelt Safety Services Co. Ltd. Inc. (SSS)	100	100	Republic of Panama
MIS Qatar LLC (MISQWLL)	49*	100	Qatar
Lamprell Kazakhstan LLP (LAK)	100	100	Kazakhstan
Lamprell Energy (UK) Limited (LUK)	100	100	England and Wales
Sunbelt Safety Services LLC (SSSL)	70*	100	Sultanate of Oman

* The remaining legal ownership in each case is registered in the name of a Gulf Cooperation Council (GCC) national/entities owned by a GCC national, who has assigned all the economic benefits attached to their shareholdings to the Group entity. The Group 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 via management agreements and, accordingly, these entities are consolidated as wholly owned subsidiaries in these consolidated financial statements. These shareholders receive sponsorship fees from the Group (Note 25).

† The beneficiaries of the EBT are the employees of the Group.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and parent company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group and the financial statements of the parent company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the Isle of Man Companies Acts 1931 to 2004.
In accordance with the provisions of the Isle of Man Companies Act 1982, the Company has not presented its own statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern

These financial statements have been prepared on a going concern basis which assumes that the Group will continue to have adequate resources to continue in operational existence for the foreseeable future notwithstanding the decrease in available liquidity which is discussed below.

The Group incurred a loss before tax of USD 183.5 million during the year ended 31 December 2019 (31 December 2018: USD 70.7 million) and was in a net cash position of USD 42.5 million at 31 December 2019 (2018: net cash position of USD 80.0 million). This constitutes a decrease in its financial resources and is mainly attributable to expected cash outflows from operating activities of USD 7.8 million, financing activities of USD 11.0 million and operational capital expenditure of USD 20.8 million.

	2019 USD'000	**2018 USD'000**
Cash and cash equivalents	26,162	38,684
Margin deposits – under lien (with original maturity less than three months) (Note 24)	2,543	3,800
Margin deposits – under lien (with original maturity more than three months) (Note 24)	33,811	46,987
Deposits with original maturity of more than three months (Note 24)	–	10,333
Borrowings (Note 33)	(20,058)	(19,768)
Net cash	42,458	80,036

Of the net cash position at 31 December 2019, USD 36.4 million of the balance was restricted. The level of net unrestricted cash at 31 December 2019 was therefore USD 6.1million. As at 30 April 2020, net unrestricted cash was USD31.6 million.

In respect of the borrowings noted in the table above, this amount was fully repaid in March 2020, at which point access to the term loan facility ceased.

In addition to this borrowing facility, the Group has access to separate bilateral facilities for the provision of letters of credit and guarantees (Note 33). Amounts drawn under these facilities are secured on assets of the Group including margin deposits under lien shown above (Note 37). These separate bilateral facilities, related to the provision of letters of credit and guarantees, remain available to the Group as at the date of issue of the financial statements.

In performing their assessment of going concern, the Directors have considered forecast cash flows for the 15 months to July 2021. The key assumptions included in the forecast cash flows over this period are:

- the completion and signing of a refinancing agreement in the fourth quarter of the year. Conventional debt refinancing remains challenging in the regional credit market and we are assessing opportunities for alternative sources of debt until the Group returns to a cash generative position. Discussions around alternative financing options are ongoing with various potential sources of finance, notwithstanding the impact of COVID-19 and turmoil in oil & gas market discussed further below;
- a major renewables project award in the first half of the year, as discussed in the Chief Executive Officer's review >> 28 and expected receipts therefrom consistent with historical payment terms:
- the subsequent receipt of a portion of the restricted cash relating to the EA1 project performance guarantee following the final contract settlement announced on 23 April 2020;
- execution of the existing major projects in accordance with the milestones in the contracts and payment receipts in accordance with the contracts;
- no further cash investment in the International Maritime Industries (IMI) associate in the period as discussed in the Operational and financial review >> 36;
- capex, staff and other overhead reduction, notwithstanding the need to retain strategic capacity; and
- ongoing revenues from contracting services and rig refurbishments in line with that achieved in recent periods.

Consistent with conditions being experienced across the industry, the uncertainty due to turmoil in the oil and gas market further worsened by the impact of COVID-19 may materially affect these assumptions, particularly the timing of a refinancing, new major contract awards and/or our ability to meet project milestones in the event of compulsory closure of our yard(s) by the relevant jurisdictional authorities. At the date of approval of these financial statements, our yards continue to operate though these have been moderately affected by lockdown and social distancing measures in the UAE so far. If the pandemic increases in magnitude and duration, the continuation of these circumstances could result in an even broader economic downturn which could have a prolonged negative impact on the Group's financial results. Notwithstanding the measures implemented by the Group to prevent and/or detect the virus, the variety of possible outcomes related to the course of the pandemic and its adverse impact on the regional and global economy represents a material uncertainty.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

The Directors believe that the timing and realisation of these assumptions are reasonable and reflect their assessment of the most likely outcome. However, the timing and realisation of these matters are not wholly within management's control and so the Directors have also considered downside sensitivities to the key assumptions which include no new significant contract wins in the going concern period and the inability of the Group to secure a refinancing (also see viability statement). The Directors have concluded that, in aggregate, such matters beyond management's control represent a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Significant disruption to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business.

In view of this, the Directors have considered the realistic availability and likely effectiveness of mitigating actions that they could take to avoid or reduce the impact or likelihood of a significant deterioration in the cash flows. These include:

- potential alternative financing options with various possible sources of funding;
- negotiations with the other IMI shareholders relating to the deferral of the next instalment of our strategic capital expenditure in the Saudi maritime yard currently scheduled for this year;
- self-help measures including consolidating our operations into a single facility, reduction of salaries and allowances, headcount and other non-staff overheads, use of a deferred salary savings scheme and where operationally feasible, placing staff on reduced working hours or unpaid leave;
- reduced levels of capital expenditure; and
- sale of non-core businesses or assets.

Following consideration of these actions, the Directors are satisfied they have appropriate available mitigating actions in place to maintain the Group's liquidity in the short term. However, the Directors highlight that current market circumstances influenced by the COVID-19 pandemic and the global oil price crash, together with assumptions in management's forecasts which are outside their control, represent material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting polices below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and parent company financial statements, are disclosed in Note 4.

(a) New and amended standards adopted by the Group

IFRS 9 (amendments), 'Prepayment Features with Negative Compensation', the Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments clarify that for the purpose of assessing whether a prepayment feature meets the 'Solely Payments of Principal and Interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The application of these amendments has had no effect on the Group's consolidated financial statements as it does not have any such prepayments.

IFRS 16, 'Leases', introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. The Group is not party to any material leases where it acts as lessor, but the Group does have a number of material yard leases.

The Group has adopted IFRS 16 with effect from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. Impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

(a) Impact on accounting policy

At inception of a contract, the Group assesses whether the 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.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. The Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

IFRS 16, 'Leases' (continued)

(a) Impact on accounting policy (continued)

The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information. The non-lease components are accounted for in accordance with the Group's policies.

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- is within the control of the Group; and
- affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Where (a) there is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group re-measures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or its incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group re-measures the lease liabilities by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group use a revised discount rate that reflects changes in the interest rate.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right-of-use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modifications that are not accounted for as a separate lease, the Group, at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) re-measures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered of low value (i.e. below USD5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term in cost of sales or general and administration expenses line items of the consolidated income statement.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

2 Summary of significant accounting policies (continued)
2.1 Basis of preparation (continued)
(a) New and amended standards adopted by the Group (continued)
IFRS 16, 'Leases' (continued)
(a) Impact on accounting policy (continued)
Right-of-use assets
The right-of-use asset is initially recognised at cost comprising:

- amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs is incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

For assets that meet the definition of property, plant and equipment, right-of-use asset are amortised over the term of the lease.

b) Financial impact of adoption of IFRS 16
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 will continue to be applied to those leases entered into or modified before 1 January 2019.

The Group also elected to use the following practical expedients on transition as permitted by the standard:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term.

Set out below are the amounts by which each financial statement line item is affected as a result of the adoption of IFRS 16:

Impact on profit or loss for the year

	Year ended 31 December 2019 USD'000
Increase in depreciation	(4,386)
Increase in finance costs	(4,322)
Decrease in lease expenses	7,179
Net increase in loss	(1,529)

Impact on assets and liabilities

	As previously reported at 31 December 2018 USD'000	**Impact of IFRS 16 USD'000**	**As adjusted at 1 January 2019 USD'000**
Non-current assets			
Property, plant and equipment	159,462	57,477	216,939
Current assets			
Trade and other receivables	68,050	(295)	67,755
Impact on total assets	**227,512**	**57,182**	**284,694**
Current liabilities			
Trade and other payables	(83,892)	3,767	(80,125)
Lease liabilities	–	(2,094)	(2,094)
Non-current liabilities			
Lease liabilities	–	(58,855)	(58,855)
Impact on total liabilities	**(83,892)**	**(57,182)**	**(141,074)**

The total right-of-use assets of USD 57.5 million recognised at 1 January 2019 relate to leases of properties. Additions to right-of-use assets during the year ended 31 December 2019 were USD 0.4 million.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

IFRS 16, 'Leases' (continued)

b) Financial impact of adoption of IFRS 16 (continued)

During the year ended 31 December 2019, in relation to leases under IFRS 16 the Group recognised the following expenses in the consolidated income statement:

	Year ended 31 December 2019 USD'000
Depreciation (included in cost of sales) – Note 7	4,386
Interest expense (included in finance cost) – Note 12	4,322
Short-term lease expenses (included in cost of sales and general and administrative expenses)	253
	8,961

The cash payments for the principal portion of the lease liabilities during the year ended 31 December 2019 was USD 2.9 million (31 December 2018: nil) and for interest expense USD 4.3 million (31 December 2018: nil). These have been presented under financing activities in cash flow.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	USD'000
Operating lease commitments disclosed under IAS 17 at 31 December 2018	113,726
Effect of discounting	(51,720)
Short-term leases expensed under IFRS 16	(1,057)
Lease liabilities recognised at 1 January 2019	60,949

Management has made key judgements in determining the right-of-use asset and liabilities as follows:

- the discount rate has been determined as 7.34% as at 1 January 2019 for initial recognition and 9% during the year for lease modifications, based on the Group's incremental borrowing rate; and
- certain long-term leases have escalation clauses which allow for rent reviews every five years. However, in line with IFRS 16, no increments have been included as the rates are not defined.

A change in these assumptions could result in an increase or decrease in the right-of-use assets, liabilities and finance costs recognised in the consolidated financial statements.

IAS 19 (amendments), 'Employee Benefits Plan Amendment, Curtailment or Settlement', The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The application of these amendments has had no effect on the Group's consolidated financial statements as it has no defined benefit plans.

IAS 28 (amendments), 'Long-term Interests in Associates and Joint Ventures', The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. The application of these amendments has had no effect on the Group's consolidated financial statements as it applies the equity method for its associates and joint venture.

IFRIC 23 'Uncertainty over Income Tax Treatments', The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 deals with how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. The application of these amendments has had no effect on the Group's consolidated financial statements as it currently has no uncertain tax positions.

Notes to the consolidated financial statements

for the year ended 31 December 2019

continued

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early-adopted

IAS 1 and IAS 8 (amendments), 'Definition of Material', the amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The amendments are effective for annual periods beginning on or after 1 January 2020. The Group does not anticipate that the application of the amendments in future will have an impact on the Group's consolidated financial statements.

IFRS 3 (amendments), 'Definition of a Business', the amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is or is not a business. The amendment is effective for annual periods beginning on or after 1 January 2020. The Group does not anticipate that the application of the amendments in future will have an impact on the Group's consolidated financial statements.

IFRS 10 and IAS 28 (amendments) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The amendments state that the gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using the equity method are recognised in the parent's profit or loss to the extent of the unrelated investors interest in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendment has yet to be set by the IASB. The Group does not anticipate that the application of the amendments in future will have an impact on the Group's consolidated financial statements.

2.2 Revenue recognition

Contract revenue

The Group reviews lump-sum construction contracts and allocates the revenue to each performance obligation of the contract depending on whether the contract is viewed as containing a single or multiple performance obligations. Revenue from each performance obligation is recognised either over time or at a point in time depending on the nature and timing of when the performance obligation is satisfied.

In the case of a performance obligation satisfied over time, contract revenue is recognised under the input method by measuring the proportion of costs incurred for work performed to total estimated costs.

When the contract is at an early stage and its outcome cannot be reliably estimated, due to their uncommon nature, risk profiling, including first-of-a kind projects, the Group recognises revenue to the extent of cost incurred up to the year-end which are considered recoverable. For these contracts, the Group recognises gross margin only when progress towards complete satisfaction of the performance obligation can be measured reliably. This is mainly the case with respect to fixed price construction contracts with an expected contract duration of 18 months or greater.

Revenue related to variation orders is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the amount of revenue arising from the variation can be reliably measured. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception. The estimated variable consideration is, however, constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint.

Contract modifications are accounted for as a separate contract only if the scope of the contract changes due to the addition of the promised goods or services that are distinct; and the price of the contract increases by an amount of consideration that reflects a stand-alone selling price.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against progress billings at each reporting period. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under contract assets as amounts due from customers on contracts.

Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under contract liabilities as amounts due to customers on contracts.

In determining contract costs incurred up to the reporting date, any amounts incurred, including advances paid to suppliers and advance billings received from subcontractors relating to future activity on a contract, are excluded and are presented under contract assets as contract work-in-progress.

The incremental costs of obtaining a contract with a customer are recognised as an asset if those costs are expected to be recovered.

2 Summary of significant accounting policies (continued)

2.2 Revenue recognition (continued)

Products and services

Revenue from sale of products and services is recognised in the accounting period in which the control is transferred or the service is rendered net of value added tax.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. Business combinations involving entities under common control do not fall within the scope of IFRS 3. Consequently, the Directors have a responsibility to determine a suitable accounting policy. The Directors have decided to follow the uniting of interests method to account for business combinations involving entities under common control.

Under the uniting of interest method, there is no requirement to fair value the assets and liabilities of the acquired entities and hence no goodwill is recorded as balances remain at book value. Consolidated financial statements include the profit or loss and cash flows for the entire year (pre and post merger) as if the subsidiary had always been part of the Group. The aim is to show the combination as if it had always been combined.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed or adjustments have been made to the financial statements of subsidiaries, where necessary, to ensure consistency with the policies adopted by the Group.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related asset or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interest in joint ventures is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses in the consolidated income statement. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interest that, in substance, forms part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

2 Summary of significant accounting policies (continued)
2.3 Consolidation (continued)
(d) Associates (continued)
When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the consolidated income statement.

2.4 Investment in subsidiaries
In the Company's separate financial statements, the investment in subsidiaries is stated at cost less provision for impairment. Cost is the amount of cash paid or the fair value of the consideration given to acquire the investment. Income from such investments is recognised as dividend in the statement of comprehensive income.

2.5 Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's activities are primarily carried out from the UAE, whose currency, the UAE Dirham, is pegged to the United States Dollar (USD) and is the functional currency of all the entities in the Group (except MISCLP whose functional currency is the Omani Riyal, MISQWLL whose functional currency is the Qatari Riyal, LAK whose functional currency is the Kazakh Tenge and for EBT and LUK whose functional currency is the Great British Pound). The consolidated and parent company financial statements are presented in USD.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred into other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains/(losses) – net'.

(c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2.6 Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation. The cost of property, plant and equipment is the purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated on a straight-line basis over the expected useful economic lives of the assets as follows:

	Years
Buildings and infrastructure	3 – 25
Operating equipment	3 – 20
Fixtures and office equipment	3 – 5
Motor vehicles	5

The assets' residual values, if significant, and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to property, plant and equipment and depreciated in accordance with Group policies.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.20).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.7 Intangible assets

(a) Trade name

A trade name acquired as part of a business combination is capitalised, separately from goodwill, at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Amortisation is calculated on a straight-line method to allocate the fair value at acquisition over its estimated useful life. The useful life of a trade name is reviewed on an annual basis.

(b) Leasehold rights

Intangible assets representing operating leasehold rights are carried at cost (being the fair value on the date of acquisition where intangibles are acquired in a business combination) less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of the leasehold right over its estimated useful life.

(c) Software

Directly attributable costs that are capitalised as part of the software product include the software development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives.

(d) Development and patents

Development expenditures and patent fees are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the asset;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure and patent fee as an asset, the asset is amortised over the period of expected future benefit and carried at cost less any accumulated amortisation.

(e) Work-in-progress

Work-in-progress pertains to assets in the course of development and is stated at cost. When commissioned, work-in-progress is transferred to intangible assets in accordance with Group policies.

2.8 Inventories

Inventories comprise raw materials, finished goods, work-in-progress and consumables and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises direct purchase, direct labour and other costs incurred in bringing the inventories to their present location and condition.

2.9 Trade receivables

Trade receivables are amounts receivable from customers for billing in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment losses. The Group measures the loss allowance for trade receivables based on the expected credit loss model using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to each debtor and general economic conditions of the industry in which the debtors operate. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed in liquidation or has entered into bankruptcy proceedings. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the consolidated income statement.

2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

2 Summary of significant accounting policies (continued)

2.12 Employee benefits

(a) Provision for staff benefits

A provision is made for the estimated liability for performance-related bonus and employees' entitlements to annual leave and air fares as a result of services rendered by the employees up to the balance sheet date. This provision is disclosed as a current liability and included in trade and other payables.

Labour laws in the countries in which the Group operates require the Group to provide for other long-term employment benefits. Provision is made, using actuarial techniques, for the end-of-service benefits due to employees, for their periods of service up to the balance sheet date. The provision relating to end-of-service benefits is disclosed as a non-current liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The current service cost and interest cost is recognised in the income statement in 'Employees' end-of-service benefits'.

(b) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares/options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares/options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of shares/options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to retained earnings.

The Company has granted rights to its equity instruments to the employees of subsidiary companies conditional upon the completion of continuing service with the Group for a specified period. The total amount of the grant over the vesting period is determined by reference to the fair value of the equity instruments granted and is recognised in each period as an increase in the investment in the subsidiary, with a corresponding credit to retained earnings.

In the separate financial statements of the subsidiary, the fair value of the employee services received in exchange for the grant of the equity instruments of the Company is recognised as an expense, with a corresponding credit to equity.

2.13 Leases

The accounting policy for leases has been updated following the adoption of IFRS 16, 'Leases'. Refer to the Group's revised policy for leases detailed in Note 2.1(a) – IFRS 16, 'Leases'.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks less margin deposits, other short-term highly liquid investments with original maturity of three months or less and bank overdrafts.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the repayment value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method. The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. The fee is capitalised and amortised over the period of the facility to which it relates.

2.16 Dividend distribution

Dividend distributions are recognised as a liability in the Group's consolidated and parent company financial statements in the period in which the dividends are approved by the shareholders.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.18 Financial assets

The Group classifies its financial assets in the following categories: at amortised cost or fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Group's financial assets are held to collect as the cash flows will result from collecting contractual cash flows. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

2 Summary of significant accounting policies (continued)

2.18 Financial assets (continued)

(a) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(b) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses presented in the consolidated income statement to the extent they are not part of a designated hedging relationship within 'other gains/(losses) – net' in the period in which they arise. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in the consolidated income statement.

(c) Impairment of financial assets

In relation to the impairment of financial assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers financial assets to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. In doing so, the Group also takes into account the days the contractual payments are past due.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

(d) Financial liabilities

Financial liabilities are subsequently carried at amortised cost using the effective interest method, except for contingent consideration and financial liability under option arrangements recognised in a business combination which is subsequently measured at FVTPL. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

2.19 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'other gains/(losses) – net'.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'other gains/(losses) – net'.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

2 Summary of significant accounting policies (continued)

2.19 Derivative financial instruments and hedging activities (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, contracts work-in-progress or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of contracts work-in-progress or in depreciation in the case of fixed assets.

2.20 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible reversal of the impairment at each reporting date. Any impairment loss is recognised in the consolidated income statement and separately disclosed (Note 41).

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds received net of any directly attributable transaction costs over the par value of the shares are credited to the share premium.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange and cash flow interest rate risk), credit risk and liquidity risk. These risks are evaluated by management on an ongoing basis to assess and manage critical exposures. The Group's liquidity and market risks are managed as part of the Group's treasury activities. Treasury operations are conducted within a framework of established policies and procedures.

(a) Market risk – foreign exchange risk

The Group has foreign exchange risk primarily with respect to balances in Euro, Great British Pound, Norwegian Kroner, Indian Rupee, Omani Riyal, Qatari Riyal and Saudi Riyal with certain suppliers. During the year ended 31 December 2019, if foreign exchange rates on foreign balances had been 10% higher/lower, the exchange difference would have been higher/lower by USD 0.2 million (2018: USD 0.3 million).

(b) Market risk – cash flow interest rate risk

The Group holds its surplus funds in short-term bank deposits. During the year ended 31 December 2019, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 0.2 million (2018: USD 0.6 million).

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is covered by taking fixed interest rate swaps against the variable rates. Under these swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. During the year ended 31 December 2019, if interest rates on borrowings had been 0.5% higher/lower, the interest expense would have been higher/lower by USD 0.1 million (2018: USD 0.2 million). This interest rate swap matured in August 2019, the initial expiry date of term loan.

(c) Credit risk

The Group's exposure to credit risk is detailed in Notes 16, 22 and 24. The Group has a policy of only dealing with customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks, financial assets carried at FVTPL, trade and other receivables, contract assets, related party balances and derivative financial instruments. The Group has a formal procedure of monitoring and follow-up of customers for outstanding receivables. For banks and financial institutions, only independently rated parties with the equivalent of investment grade and above are accepted unless the bank is situated in a frontier market where minimal balances are held.

The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors. An impairment analyses is performed at each reporting date using a provision matrix to measure ECL's. The provision rates are based on the days past due for grouping of various customer segments. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

To measure the ECL's, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due with reference to past default experience of the debtor, an analysis of the debtor's current financial position and general current and forecast economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

3 Financial risk management (continued)
3.1 Financial risk factors (continued)
(c) Credit risk (continued)

		Trade receivables				
31 December 2019	**Contract assets USD'000**	**Current USD'000**	**Up to 3 months USD'000**	**3 to 6 months USD'000**	**Over 6 months USD'000**	**Total USD'000**
Expected credit loss rate	–	–	–	–	68.8%	
Gross carrying amount	40,384	10,481	6,676	326	5,045	62,912
Loss allowance	–	–	–	–	3,469	3,469
31 December 2018						
Expected credit loss rate	–	–	–	–	48.4%	
Gross carrying amount	54,931	8,789	26,132	3,160	8,656	101,668
Loss allowance	–	–	–	–	4,189	4,189

Balances overdue by six months have objective evidence of impairment and hence have been individually assessed. All other ageing categories have been collectively assessed as the ECL's are not material.

The following table shows the rating and balance of the 13 major counterparties at the balance sheet date:

	2019		2018	
Counterparty	**External rating+**	**USD'000**	**External rating+**	**USD'000**
Bank A	AA-	23,760	AA-	40,867
Bank B	A+	23,359	A+	21,839
Bank C	A+	10,426	AA-	17,810
Bank D	A+	2,200	A+	14,583
		59,745		95,099

\+ Based on Fitch's long-term ratings.

	2019		2018	
	Internal rating++	**USD'000**	**Internal rating++**	**USD'000**
Customer 1	Group B	8,027	Group A	9,652
Customer 2	Group A	1,684	Group B	4,382
Customer 3	Group B	1,225	Group A	3,247
Customer 4	Group A	1,106	Group A	2,647
Customer 5	Group C	1,045	Group A	2,396
Customer 6	Group B	903	Group C	1,589
Customer 7	Group B	797	Group B	1,453
Customer 8	Group C	577	Group C	1,365
Customer 9	Group B	526	Group B	1,111
		15,890		27,842

++ Refer to Note 16 for the description of internal ratings.

The above represents 70% (2018: 60%) of trade receivables of USD 22.5 million (2018: USD 46.7 million) (Note 22).

The counterparties in 2019 are not necessarily the same counterparties as in 2018.

The customers in 2019 are not necessarily the same customers as in 2018.

Management does not expect any losses from non-performance by these counterparties.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group is currently financed from shareholders' equity and borrowings.

The Group's liquidity risk on derivative financial instruments is disclosed in Note 29.

The following table analyses the Group's other financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount USD'000	Contractual cash flows USD'000	Less than 1 year USD'000	Between 1 to 5 years USD'000
31 December 2019				
Trade and other payables (Note 30)	93,469	93,469	93,469	–
Borrowings (Note 33)	20,058	20,187	20,187	–
	113,527	113,656	113,656	–
31 December 2018				
Trade and other payables (Note 30)	83,892	83,892	83,892	–
Borrowings (Note 33)	19,768	19,964	19,964	–
	103,660	103,856	103,856	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

At the balance sheet date, the Group has net cash position and is therefore un-geared.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at 31 December 2019, the Group has no assets that are measured at fair value.

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
31 December 2018				
Derivative financial instruments (Note 29)	–	218	–	218

There were no liabilities that are measured at fair value as at 31 December 2019 and 31 December 2018:

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices or dealer quotes for similar instruments; and

(b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 Critical accounting judgements and key sources of estimation uncertainty

The Group makes judgements, estimates and assumptions concerning the future. These 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4.1 Critical judgements in applying accounting policies

Apart from those involving estimation (see Note 4.2), the Group has made following critical judgements in applying accounting policies in the process of preparing these consolidated financial statements.

4.1.1 Liquidated damages claims (LDs)

The Group recognises liquidated damages where there have been significant delays against defined contractual delivery dates or unfulfilled contractual obligations and it is considered probable that the customer will successfully pursue these penalties. This requires management to estimate the amount of liquidated damages payable under the contract based on a combination of an assessment of the contractual terms, the reasons for any delays and evidence of cause of the delays to assess who is liable under the contract for the delays and consequently whether the Group is liable for the liquidated damages or not.

In determining the risk of liquidated damages on a project, management applies significant judgement in ascertaining the Group's ability to meet the contractual delivery dates and where a delay is expected against the baseline schedule, the likely success of its mitigation plan in meeting those dates or reducing the extent of the delay.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Revenue and margin recognition

The Group uses the input method in accounting for its contract revenue. Use of the input method requires the Group to estimate the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the Group's accounting policy. As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each year-end.

If the estimated total costs to completion of all outstanding projects were to decrease by 10%, this would result in contract assets increasing by USD 6.8 million (2018: USD 3.0 million) or contract liabilities decreasing by USD 6.8 million (2018: USD 3.0 million).

If the estimated total costs to completion of all outstanding projects were to increase by 10%, contract assets would decrease by USD 5.2 million (2018: USD 3.0 million) or contract liabilities would increase by USD 5.2 million (2018: USD 3.0 million).

4.2.2 Impairment of property, plant and equipment and intangible assets

At the end of the reporting period, where indicators exist, management performs an impairment test which requires to estimate the recoverable amount of its assets, which is initially based on the value in use. When necessary, FVLCD is estimated. Management performs the review at the CGU relating to an operating segment's assets located in a particular geography (Note 41).

Based on this review, an impairment loss of USD 79.3 million (2018: nil) has been recorded during the year. The carrying amount of property, plant and equipment at 31 December 2019 was USD 160.1 million (31 December 2018: USD 159.5 million). The carrying amount of intangible assets at 31 December 2019 was nil (31 December 2018: USD 30.0 million).

If the recoverable values used were to differ by 10% from management's estimates, in isolation, there would be a decrease in the impairment of USD 5.3 million if the fair values were to increase or an increase in the impairment by USD 5.3 million if the fair values were to decrease.

4.2.3 Carrying amount of inventory (Note 21)

Inventories comprise raw materials, finished goods, work-in-progress and consumables which are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Determining these estimates involves use of assumptions pertaining to the expected realisable values of inventory in the current market. Based on the review performed, a write-down of USD 2.5 million (2018: 3.0 million) has been recognised during the year. The application of a 10% sensitivity to management estimates of the net realisable value of inventory would result in a reversal of the previous write-down by USD 1.3 million if the net realisable value were higher or a decrease in inventory by USD 1.3 million if the net realisable value were lower.

5 Segment information

The Group is organised into business units, which are the Group's operating segments and are reported to the Executive Directors, the chief operating decision-maker. These operating segments are aggregated into three reportable segments – 'rigs' and 'EPC(I)' and 'contracting services' based on strategic objectives, similar nature of the products and services, type of customer and economic characteristics.

The rigs segment contains business from new build jackup rigs, land rigs and refurbishment. The EPCI segment contains business from foundations, process modules, offshore platforms, pressure vessels and engineering and construction (excluding site works). The contracting services segment comprises of site works, operations and maintenance, manpower supply and safety services.

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5 Segment information (continued)

	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000
Year ended 31 December 2019				
Revenue from external customers	24,766	167,230	68,452	260,448
Gross operating profit/(loss) before absorptions	3,579	(8,160)	27,702	23,121
Year ended 31 December 2018				
Revenue from external customers	75,957	99,847	58,270	234,074
Gross operating profit/(loss) before absorptions	19,655	(5,453)	26,985	41,187

The Group uses the standard costing method for recording labour, project management and equipment cost on project. Standard cost is based on an estimated or predetermined cost rate for performing an operation under normal circumstances. Standard costs are developed from historical data analysis adjusted with expected changes in future circumstances. The difference between total cost charged to the projects at standard rate and the actual cost incurred are reported as under or over-absorption.

The reconciliation of the gross operating profit is provided as follows:

	2019 USD'000	2018 USD'000
Gross operating profit for Rigs segment as reported to the Executive Directors	3,579	19,655
Gross operating loss for the EPC(I) segment as reported to the Executive Directors	(8,160)	(5,453)
Gross operating profit for the Contracting services segment as reported to the Executive Directors	27,702	26,985
Gross operating profit before absorptions	23,121	41,187
Under-absorbed employee and equipment costs	(10,526)	(8,600)
Provision for slow-moving and obsolete inventories	(395)	(1,425)
Provision/(release) for impairment losses shown as part of operating profit (Note 10)	(41)	1,015
Project-related bank guarantee charges shown as part of operating profit (Note 12)	(770)	(344)
Gross operating profit	11,389	31,833
Unallocated:		
Unallocated operational overheads	(20,167)	(17,108)
Repairs and maintenance	(2,947)	(3,041)
Yard rent and depreciation	(10,574)	(14,060)
Others	(6,116)	(6,066)
Add back:		
Provision/(release) for impairment losses shown as part of G&A (Note 10)	41	(1,015)
Project-related bank guarantee charges shown as part of finance costs (Note 12)	770	344
Gross loss	(27,604)	(9,113)
Selling and distribution expenses (Note 8)	(1,502)	(1,144)
General and administrative expenses – excluding impairment (Note 10)	(61,023)	(45,171)
Other gains – net (Note 13)	286	32
Finance costs (Note 12)	(8,327)	(5,678)
Finance income (Note 12)	1,023	2,165
Share of loss of investment accounted for using the equity method (Note 20)	(7,934)	(10,576)
Impairment (Note 41)	(79,301)	
Loss before income tax	(184,382)	(69,485)

The breakdown of revenue from all services is as disclosed in Note 6.

Sales between segments are carried out on agreed terms. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

Information about segment assets and liabilities is not reported to or used by the Executive Directors and, accordingly, no measures of segment assets and liabilities are reported.

5 Segment information (continued)

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The labour, project management and equipment costs are measured based on standard cost. The measurement basis excludes the effect of the common expenses for yard rent, repairs and maintenance and other miscellaneous expenses.

The Group's principal place of business is in the UAE. The revenue recognised in the UAE with respect to external customers is USD 258.1 million (2018: USD 230.3 million), and the revenue recognised from other countries is USD 2.3 million (2018: USD 3.8 million).

Certain customers individually accounted for greater than 10% of the Group's revenue and are shown in the table below:

	2019 USD'000	2018 USD'000
External customer A	129,401	97,052
External customer B	41,435	31,180
External customer C	31,584	–
	202,420	128,232

The revenue from these customers is attributable to the EPC(I) and contracting services segment. The above customers in 2019 are not necessarily the same customers as in 2018.

6 Disaggregation of revenue

	Year ended 31 December 2019				Year ended 31 December 2018			
	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000
Strategic markets								
– Renewables	–	160,985	–	160,985	–	94,753	–	94,753
– Oil & gas	24,766	6,245	68,452	99,463	75,957	5,094	58,270	139,321
	24,766	167,230	68,452	260,448	75,957	99,847	58,270	234,074

Major value streams

	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000
New build jackups, refurbishment and land rigs	24,766	–	–	24,766	75,957	–	–	75,957
Platforms	–	6,245	–	6,245	–	3,268	–	3,268
Foundations	–	160,985	–	160,985	–	94,753	–	94,753
Pressure vessels	–	–	–	–	–	1,826	–	1,826
Operations and maintenance, site work and safety services	–	–	68,452	68,452	–	–	58,270	58,270
	24,766	167,230	68,452	260,448	75,957	99,847	58,270	234,074

Timing of revenue recognition

	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000
Recognised over time	24,766	167,230	68,452	260,448	75,957	99,847	58,270	234,074

There was no revenue recognised at a point in time during the years ended 31 December 2019 and 31 December 2018.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

6 Disaggregation of revenue (continued)

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied), to be recognised over time, as at 31 December are, as follows:

Performance obligations (unsatisfied)

	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting Services USD'000	Total USD'000
Within one year	103,806	94,395	12,069	210,270	35,794	162,272	18,112	216,178
More than one year	259,796	–	–	259,796	251,700	72,100	–	323,800
	363,602	94,395	12,069	470,066	287,494	234,372	18,112	539,978

7 Cost of sales

	2019 USD'000	2018 USD'000
Staff costs (Note 11)	96,409	90,218
Materials and related costs	81,633	32,610
Subcontract costs – including warranty provisions	62,187	65,313
Depreciation (Note 17)	21,265	17,563
Subcontract labour	7,795	16,518
Equipment hire	6,284	7,946
Utilities	3,069	2,908
Repairs and maintenance	2,956	3,069
Write-down of inventory to net realisable value (Note 21)	2,500	3,066
Warranty provision released	(1,525)	(5,921)
Recruitment costs	1,657	46
Yard rent	35	6,680
Others	3,787	3,171
	288,052	243,187

8 Selling and distribution expenses

	2019 USD'000	2018 USD'000
Travel	1,312	902
Advertising and marketing	107	134
Entertainment	62	82
Others	21	26
	1,502	1,144

9 Share-based payments

Group

	2019 USD'000	2018 USD'000
Amount of share-based charge (Note 11):		
– relating to retention share plan	1,878	1,447
– relating to performance share plan	3,115	2,241
	4,993	3,688

Company

	2019 USD'000	2018 USD'000
Amount of share-based charge:		
– relating to retention share plan	11	49
– relating to performance share plan	1,287	994
	1,298	1,043

Retention share plan

The Company awarded shares to selected Directors, key management personnel and employees under the retention share plan that provides an entitlement to receive these shares at no cost. These retention shares are conditional on the Directors/key management personnel/employee completing a specified period of service (the vesting period). The awards do not entitle participants to dividend equivalents during the vesting period and some of the awards have a performance condition. The fair value of the share awards made under this plan is based on the share price at the date of the grant, less the value of the dividends forgone during the vesting period.

The details of the shares granted under this scheme are as follows:

Grant date	Number of shares	Vesting period	Fair value per share	Expected withdrawal rate
2016	475,000	36 months	£0.73	–
	281,761	12 months	£0.73	–
	94,452	24 months	£0.73	–
	46,811	36 months	£0.73	–
	898,024			
2017	1,229,929	36 months	£0.90	–
	24,972	17 months	£0.90	–
	11,825	30 months	£0.90	–
	37,032	5 months	£0.90	–
	1,303,758			
2018	2,903,073	36 months	£0.77	–
	10,000	34 months	£0.77	–
	10,000	22 months	£0.77	–
	30,000	10 months	£0.77	–
	2,953,073			
2019	1,720,724	36 months	£0.60	–
	558,390	36 months	£0.60	–
	2,279,114			

A charge of USD 1,877,590 (2018: USD 1,446,785) is recognised in the consolidated income statement for the year with a corresponding credit to the consolidated retained earnings. This includes a charge recognised in the income statement of the Company with a corresponding credit to retained earnings of USD 11,358 (2018: USD 49,023).

The Group has no legal or constructive obligation to settle the retention share awards in cash.

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9 Share-based payments (continued)
Retention share plan (continued)
An analysis of the number of shares granted, vested during the year and expected to vest in future periods is provided below:

	Number of shares
Shares expected to vest in future periods at 1 January 2018	2,202,521
Shares granted under the retention share awards	2,953,073
Shares vested during the year	(413,245)
Shares lapsed during the year	(190,233)
Shares expected to vest in future periods at 31 December 2018	4,552,116
Shares granted under the retention share awards	2,230,724
Shares vested during the year	(71,783)
Shares lapsed during the year	(651,480)
Shares expected to vest in future periods at 31 December 2019	6,059,577

Performance share plan
The Company granted share awards to Directors, key management personnel and selected employees that give them an entitlement to receive a certain number of shares subject to the satisfaction of a performance target and continued employment. The performance target is assessed against financial metrics that may include relative or absolute total shareholder return, cumulative EBITDA and end of period backlog. The fair value of the share awards made under this plan is based on the share price at the date of the grant less the value of the dividends foregone during the vesting period.

The details of the shares granted under this scheme are as follows:

Grant date	Number of shares	Vesting period	Fair value per share	Dividend entitlement	Expected withdrawal rate
2016					
10 October 2016	1,306,266	36 months	£0.45	No	–
10 October 2016	2,255,602	36 months	£0.45	No	–
10 October 2016	55,219	12 months	£0.38	No	–
10 October 2016	102,019	24 months	£0.42	No	–
10 October 2016	147,330	36 months	£0.44	No	–
10 October 2016	133,830	–	£0.41	No	–
	4,000,266				
2017					
2 October 2017	1,049,827	36 months	£0.76	No	–
2 October 2017	1,527,295	36 months	£0.76	No	–
	2,577,122				
2018					
9 April 2018	1,192,924	36 months	£0.77	No	–
9 April 2018	1,410,937	36 months	£0.77	No	–
	2,603,861				
2019					
5 April 2019	2,059,523	36 months	£0.52	No	–
5 April 2019	3,305,075	36 months	£0.52	No	–
	5,364,598				

9 Share-based payments (continued)

Performance share plan (continued)

Accordingly, a charge of USD 3,114,601 (2018: USD 2,240,779) is recognised in the consolidated income statement for the year with a corresponding credit to the consolidated retained earnings. This includes a charge recognised in the income statement of the Company with a corresponding credit to retained earnings of USD 1,286,594 (2018: USD 993,977).

The Group has no legal or constructive obligation to settle the retention share awards in cash.

An analysis of the number of shares gifted/granted, vested during the year and expected to vest in future periods is provided below:

	Number of shares
Shares expected to vest in future periods at 1 January 2018	7,127,671
Shares granted under performance share plan	2,603,861
Shares vested under performance share plan	(118,471)
Shares lapsed due to non-satisfaction of vesting conditions	(1,563,268)
Shares expected to vest in future periods at 31 December 2018	8,049,793
Shares granted under performance share plan	5,425,565
Shares vested under performance share plan	–
Shares lapsed due to non-satisfaction of vesting conditions	(3,480,706)
Shares expected to vest in future periods at 31 December 2019	9,994,652

10 General and administrative expenses

	2019 USD'000	2018 USD'000
Impairment of property, plant and equipment and intangible assets (Note 41)	79,301	–
Staff costs (Note 11)	37,708	30,494
Legal, professional and consultancy fees	4,958	3,466
Amortisation of intangible assets (Note 18)	3,891	3,789
Digital initiatives	2,746	–
Depreciation (Note 17)	2,462	2,656
IT support and maintenance	1,906	1,119
Office maintenance	1,535	634
Utilities and communication	1,451	1,365
Insurance	869	699
Non-Executive Director fees	613	692
Bank charges	97	133
Provision/(release) for impairment losses, net of amounts recovered	41	(1,015)
Others	2,746	1,139
	140,324	45,171

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11 Staff costs

	2019 USD'000	2018 USD'000
Wages and salaries	120,740	109,329
Employees' end-of-service benefits (Note 28)	4,544	4,619
Share-based payments – value of services provided (Note 9)	4,993	3,688
Other benefits	3,840	3,076
	134,117	120,712
Staff costs are included in:		
Cost of sales (Note 7)	96,409	90,218
General and administrative expenses (Note 10)	37,708	30,494
	134,117	120,712
Number of employees at 31 December	6,029	4,410
Subcontracted employees at 31 December	1,202	205
Total number of employees (staff and subcontracted) at 31 December	7,231	4,615

Directors' remuneration comprises:

	Salary 2019 USD'000	Fees 2019 USD'000	Allowances & benefits 2019 USD'000	Share-based payments value of services provided 2019 USD'000	Post-employment benefits 2019 USD'000	Total 2019 USD'000	Total 2018 USD'000
Executive Directors							
Christopher McDonald	700	–	245	887	42	1,874	1,931
Antony Wright	410	–	216	402	31	1,059	1,053
Non-Executive Directors							
John Malcolm	–	229	–	–	–	229	247
Ellis Armstrong*	–	–	–	–	–	–	42
Mel Fitzgerald	–	93	–	–	–	93	100
Debra Valentine	–	115	–	–	–	115	114
Nicholas Garrett#	–	83	–	–	–	83	89
James Dewar	–	93	–	–	–	93	100
	1,110	613	461	1,289	73	3,546	3,676

The emoluments of the highest paid Director were USD 1.9 million (2018: USD 1.9 million) and these principally comprised salary, share-based payment and benefits.

* Retired as Non-Executive Director with effect from 23 May 2018.
\# Resigned as Non-Executive Director with effect from 10 February 2020.

12 Finance costs and income

Finance costs

	2019 USD'000	2018 USD'000
Interest expense on leases (Note 2.1, IFRS 16 – Leases)	4,322	–
Interest on bank borrowings	1,607	2,001
Bank guarantee charges	890	344
Commitment fees	535	1,411
Others	973	1,922
	8,327	5,678

Finance income

Finance income comprises interest income of USD 1.0 million (2018: USD 2.2 million) from bank deposits.

13 Other gains – net

	2019 USD'000	2018 USD'000
Exchange loss – net	(1,298)	(333)
Profit on disposal of assets	83	26
Loss on derivative financial instruments	(218)	(29)
Release of provision related to discontinued operations	813	–
Others	906	368
	286	32

14 Loss per share

(a) Basic

Loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (Note 26).

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the retention share awards, options under the executive share option plan and the performance share plan, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share awards/options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards/options.

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14 Loss per share (continued)
(b) Diluted (continued)

	2019 USD'000	2018 USD'000
The calculations of loss per share are based on the following loss and numbers of shares:		
Loss for the year	(183,514)	(70,656)
Weighted average number of shares for basic loss per share	341,710,302	341,710,302
Adjustments for:		
– Assumed vesting of performance share plan	–	–
– Assumed vesting of retention share plan	–	–
Weighted average number of shares for diluted loss per share	341,710,302	341,710,302

Assumed vesting of performance and retention share plans amounting to 6,180,302 (2018: 6,700,436) shares and 2,466,979 (2018: 2,481,705) shares respectively have been excluded in the current period as these are anti-dilutive.

Loss per share:		
Basic	(53.71)c	(20.67)c
Diluted	(53.71)c	(20.67)c

15 Operating loss
(a) Operating loss
Operating loss is stated after charging/recognising:

	2019 USD'000	2018 USD'000
Depreciation (Note 17)	23,726	20,218
Impairment (Note 41)	79,301	–
Operating lease rentals – land and buildings	253	10,367
Write-down of inventory to net realisable value (Note 21)	2,500	3,066

(b) Auditor's remuneration
Services provided by the Group's auditor and its associates comprised:

	2019 USD'000	2018 USD'000
Audit of parent company and consolidated financial statements	1,085	346
Audit of Group companies pursuant to legislation	68	62
Interim review of parent company and consolidated financial statements	124	127
Other audit related service	12	12
Non-audit related service	65	37
	1,354	584

16 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

Assets as per balance sheet

	Classification	2019 USD'000	2018 USD'000
Trade receivables – net of provision (Note 22)	Amortised cost	19,059	42,548
Other receivables excluding prepayments	Amortised cost	5,804	14,195
Due from related parties (Note 25)	Amortised cost	3,973	875
Derivative financial instruments (Note 29)	FVTPL	–	218
Cash and bank balances (Note 24)	Amortised cost	62,516	99,804
		91,352	157,640

Liabilities as per balance sheet

	Classification	2019 USD'000	2018 USD'000
Accruals and other payables (Note 30)	Liabilities at amortised cost	52,693	59,897
Trade payables (Note 30)	Liabilities at amortised cost	40,127	23,572
Provision for warranty costs and other liabilities (Note 32)	Liabilities at amortised cost	11,440	4,166
Due to a related party (Note 25)	Liabilities at amortised cost	649	423
Borrowings (Note 33)	Liabilities at amortised cost	20,058	19,768
		124,967	107,826

Company

Assets as per balance sheet

	Classification	2019 USD'000	2018 USD'000
Due from related parties (Note 25)	Amortised cost	15,530	14,817
Cash and bank balance	Amortised cost	377	201
Other receivables	Amortised cost	109	190
		16,016	15,208

Liabilities as per balance sheet

	Classification	2019 USD'000	2018 USD'000
Due to related parties (Note 25)	Liabilities at amortised cost	481	787
Accruals	Liabilities at amortised cost	139	493
		620	1,280

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16 Financial instruments by category (continued)
Credit quality of financial assets
Group
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables	2019 USD'000	2018 USD'000
Group A	3,117	4,199
Group B	6,674	2,263
Group C	690	2,327
	10,481	8,789

Group A – Last six months average debtor days is less than 45.

Group B – Last six months average debtor days is between 46 and 90.

Group C – Last six months average debtor days is above 90.

Cash at bank and short-term bank deposits	2019 USD'000	2018 USD'000
Fitch's ratings		
A+	36,390	37,268
AA-	24,214	59,470
B-	428	–
BB+	395	–
A	115	1,110
BBB-	–	399
B	–	665
Not rated	203	201
	61,745	99,113
Cash in hand	771	691
Cash and bank balances and term and margin deposits (Note 24)	62,516	99,804

Company

	2019 USD'000	2018 USD'000
Due from related parties (Note 25)	15,530	14,817

Due from related parties is neither past due nor impaired.

Cash at bank	2019 USD'000	2018 USD'000
Fitch's ratings		
A+	377	201

17 Property, plant and equipment

	Buildings & infrastructure USD'000	Operating equipment USD'000	Fixtures and office equipment USD'000	Motor vehicles USD'000	Right-of-use assets USD'000	Capital work-in-progress USD'000	Total USD'000
Cost							
At 1 January 2018	153,216	152,229	17,166	3,467	–	22,519	348,597
Additions	388	1,033	836	125	–	5,597	7,979
Disposals	–	(892)	(48)	(262)	–	–	(1,202)
Transfers	637	729	487	28	–	(1,881)	–
At 31 December 2018	154,241	153,099	18,441	3,358	–	26,235	355,374
Adjustment on transition to IFRS 16	–	–	–	–	57,477	–	57,477
Additions	5,241	8,657	958	20	401	4,941	20,218
Disposals	–	(959)	(18)	(148)	–	–	(1,125)
Re-measurements	–	–	–	–	(1,120)	–	(1,120)
Transfers	13,282	12,754	36	–	–	(26,072)	–
At 31 December 2019	172,764	173,551	19,417	3,230	56,758	5,104	430,824
Depreciation							
At 1 January 2018	(59,918)	(98,254)	(16,210)	(2,490)	–	–	(176,872)
Charge for the year	(8,580)	(10,162)	(995)	(481)	–	–	(20,218)
Disposals	–	867	48	263	–	–	1,178
At 31 December 2018	(68,498)	(107,549)	(17,157)	(2,708)	–	–	(195,912)
Charge for the year	(7,842)	(10,343)	(778)	(377)	(4,386)	–	(23,726)
Impairment (Note 41)	(46,256)	(5,876)	(102)	–	–	–	(52,234)
Disposals	–	959	18	148	–	–	1,125
At 31 December 2019	(122,596)	(122,809)	(18,019)	(2,937)	(4,386)	–	(270,747)
Net book value							
At 31 December 2019	50,168	50,742	1,398	293	52,372	5,104	160,077
At 31 December 2018	85,743	45,550	1,284	650	–	26,235	159,462

Buildings have been constructed on land leased on a renewable basis from various Government authorities. The remaining lives of the leases range between two to 21 years.

Property, plant and equipment with a carrying amount of USD 59.2 million (2018: USD 95.5 million) are under lien against the bank facilities (Note 33).

A depreciation expense of USD 21.3 million (2018: USD 17.6 million) has been charged to cost of sales; USD 2.5 million (2018: USD 2.5 million) to general and administrative expenses (Notes 7 and 10). This includes depreciation charges on right-of-use assets of USD 4.4 million. An impairment loss of USD 6.5 million has been recorded for assets written down as part of the Group's restructuring (Note 41). A further impairment of USD 45.7 million has been recorded based on the impairment tests performed at year-end. Refer to Note 41 for details of the impairment assessments performed at year-end and key assumptions.

Capital work-in-progress represents the cost incurred towards construction and upgrade of infrastructure and operating equipment.

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18 Intangible assets

	Trade name USD'000	Leasehold rights USD'000	Software USD'000	Development and Patents USD'000	Work-in-progress USD'000	Total USD'000
Cost						
At 1 January 2018	22,335	17,032	14,346	–	1,540	55,253
Additions	–	–	71	–	1,948	2,019
Transfers	–	–	1,540	–	(1,540)	–
At 31 December 2018	22,335	17,032	15,957	–	1,948	57,272
Additions	–	–	5	3	1,004	1,012
Transfers	–	–	1,351	556	(1,907)	–
At 31 December 2019	22,335	17,032	17,313	559	1,045	58,284
Amortisation						
At 1 January 2018	(15,947)	(3,772)	(3,818)	–	–	(23,537)
Charge for the year (Note 10)	(1,804)	(999)	(986)	–	–	(3,789)
At 31 December 2018	(17,751)	(4,771)	(4,804)	–	–	(27,326)
Charge for the year (Note 10)	(1,804)	(1,000)	(1,077)	(10)	–	(3,891)
Impairment (Note 41)	(2,780)	(11,261)	(11,432)	(549)	(1,045)	(27,067)
At 31 December 2019	(22,335)	(17,032)	(17,313)	(559)	(1,045)	(58,284)
Net book value						
At 31 December 2019	–	–	–	–	–	–
At 31 December 2018	4,584	12,260	11,153	–	1,948	29,945

Trade name represent the expected future economic benefit to be derived from the continued use of the MIS trade name acquired through the acquisition of MIS.

Leasehold rights represent a favourable operating right acquired upon the acquisition of MIS and existing leasehold rights in the books of MIS on acquisition of Rig Metals LLC in 2008. The value of the intangible assets has been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease terms of 10 to 17 years.

Development cost and patents represents the costs incurred on the patent fee and in developing the Group's proprietary designs. The economic benefit for these is expected to be derived from use of this intellectual property in our 'Rig' operating segment. As at 31 December 2019, an amount of nil (2018: 0.6 million) related to development cost and patents is included in work-in-progress.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

	Years
Software	15
Development cost and patents	10

The Group carries out an impairment review whenever events or changes in circumstance indicate that the carrying value of intangible assets may not be recoverable. Management performs the reviews at the CGU relating to an operating segment's assets located in a particular geography.

As at 31 December 2019, the Group has fully impaired its intangible assets based on an impairment loss of USD 6.7 million for trade name and lease hold rights as part of the Group's restructuring (Note 41). A further impairment of USD 20.4 million has been recorded based on the impairment tests performed at year-end and detailed in Note 41.

19 Investment in subsidiaries

	2019 USD'000	2018 USD'000
Balance at 1 January	558,355	555,710
Share-based payments to employees of subsidiaries in accordance with IFRS 2	3,694	2,645
Impairment during the year	(475,191)	–
Balance at 31 December	86,858	558,355

The recoverable amount of the investment in subsidiaries is determined based on net asset value of the subsidiaries. Net asset value of the subsidiaries is calculated based on the subsidiaries' total assets less total liabilities as at 31 December 2019.

Based on these calculations, an impairment charge of USD 475.2 million is recognised during the year (2018: nil) in the Company balance sheet. This relates to the impairment of investment in LEL due to market downturn and instability in the oil and gas market. The investment was accounted for using the uniting of interest method for business combinations.

The Company granted retention and performance shares to employees of its subsidiaries under various plans (Note 9). These shares have a vesting period that ranges from five to 36 months. Accordingly, the proportionate share-based charge for the year of USD 3.6 million (2018: USD 2.6 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to retained earnings.

20 Investments accounted for using the equity method

Group

	2019 USD'000	2018 USD'000
At 1 January	53,321	25,908
Dividend received during the year	(901)	(1,113)
Investment in an associate	–	39,102
Share of loss of investments accounted for using the equity method – net	(7,934)	(10,576)
Share of other comprehensive loss accounted for using the equity method	(215)	–
Excess loss reclassified to other liabilities (LSAL)	149	–
At 31 December	44,420	53,321

Details of the associates and joint venture during the year and at the balance sheet date are as follows:

Name of company	Place of incorporation and operation	Proportion of ownership	Classification	Status
Maritime Industrial Services Arabia Co. Ltd. (MISA)*	Jubail, Kingdom of Saudi Arabia	30%	Associate	Operational
International Maritime Industries (IMI)**	Ras Al Khair, Kingdom of Saudi Arabia	20%	Associate	Operational
Lamprell Saudi Arabia LLC (LSAL)***	Riyadh, Kingdom of Saudi Arabia	50%	Joint venture	Operational

* Production, manufacturing and erection of heat exchangers, pressure vessels, tanks, structural steel, piping and other related activities.
** Establishment, development and operation of a maritime yard for the construction, maintenance and repair of offshore drilling rigs and marine vessels.
*** Commissioning works, industrial works, oil and gas piping works, marine works and installation services.

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20 Investments accounted for using the equity method (continued)
Investment in an associate – MISA

	2019 USD'000	2018 USD'000
At 1 January	4,764	7,025
Dividend received during the year	(901)	(1,113)
Share of loss for the year	(1,677)	(1,148)
Share of other comprehensive loss accounted for using the equity method	(173)	–
At 31 December	2,013	4,764

Summarised financial information in respect of the Group's associate is set out below:

	2019 USD'000	2018 USD'000
Total non-current assets	6,354	5,800
Total current assets	22,586	23,640
Total non-current liabilities	(2,015)	(2,999)
Total current liabilities (excluding income tax payable)	(20,215)	(10,561)
Net assets	6,710	15,880
Group's share of associate's net assets (excluding income tax payable) – 30%	2,013	4,764
Group's share of associate's net assets – net of the Group's share of income tax	2,013	4,764
Revenue	20,364	23,081
Expenses	(25,954)	(26,907)
Loss for the year	(5,590)	(3,826)
Group's share of associate's net loss	(1,677)	(1,148)

MISA is a private company and there is no quoted market price available for its shares.

The Group has the following contingencies and commitments relating to the Group's interest in the associate.

	2019 USD'000	2018 USD'000
Letters of guarantee	15	4,263
Operating lease commitments	249	338

20 Investments accounted for using the equity method (continued)

Investment in an associate – IMI

	2019 USD'000	2018 USD'000
At 1 January	48,492	18,883
Investment made during the year	–	39,034
Share of loss for the year	(8,400)	(9,425)
Adjustment to previously reported share of loss*	2,357	–
Share of other comprehensive loss accounted for using the equity method	(42)	–
At 31 December	42,407	48,492

Summarised financial information in respect of the Group's associate is set out below:

	2019 USD'000	2018 USD'000
Total non-current assets	183,230	32,589
Total current assets	71,831	229,802
Total non-current liabilities	(1,117)	(340)
Total current liabilities	(58,785)	(36,466)
Net assets	195,159	225,585
Group's share of associate's net assets – 20%	39,032	45,117
Acquisition cost capitalisation	3,375	3,375
Carrying amount at 31 December	42,407	48,492
Revenue	506	–
Expenses	(42,506)	(47,124)
Loss for the year	(42,000)	(47,124)
Group's share of associate's net loss	(8,400)	(9,425)

* The adjustment to previously reported share of loss represents the difference between the initial IMI's result for the year adopted for equity accounting, which was obtained from IMI's unaudited management accounts, and the audited financial statements finalised subsequent to issuance of the company accounts.

IMI is a private company and there is no quoted market price available for its shares. Its yard is under construction and as such it has not generated revenue for the years ended 31 December 2019 and 2018.

The Group has the following contingencies and commitments relating to the Group's interest in the associate.

	2019 USD'000	2018 USD'000
Operating lease commitments	–	318

Investment in a joint venture – LSAL

	2019 USD'000	2018 USD'000
At 1 January	65	–
Investment made during the year	–	68
Share of loss for the year	(214)	(3)
Excess loss reclassified to other liabilities	149	–
At 31 December	–	65

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continued

20 Investments accounted for using the equity method (continued)
Investment in a joint venture – LSAL (continued)
Summarised financial information in respect of the Group's joint venture is set out below:

	2019 USD'000	2018 USD'000
Total current assets	66	136
Total current liabilities	(364)	(6)
Net (liabilities)/assets	(298)	130
Group's share of joint venture's net (liabilities)/assets – 50%	(149)	65
Expenses	(428)	(6)
Loss for the year	(428)	(6)
Group's share of joint venture's net loss	(214)	(3)

LSAL is a private company and there is no quoted market price available for its shares.

The Group has no contingencies and commitments relating to the Group's interest in the joint venture.

21 Inventories

	2019 USD'000	2018 USD'000
Raw materials, consumables and finished goods	22,741	23,996
Work-in-progress	69,605	69,343
Less: Provision for slow-moving and obsolete inventories	(2,588)	(2,716)
	89,758	90,623

The cost of inventories recognised as an expense amounts to USD 10.8 million (2018: USD 11.0 million) and this includes USD 2.5 million (2018: 3.1 million) in respect of write-down of inventory to net realisable value due to the current downturn in oil and gas market.

The work-in-progress inventories include two rig kits which are being utilised for the newly awarded rig contracts.

22 Trade and other receivables

	2019 USD'000	2018 USD'000
Trade receivables	22,528	46,737
Other receivables and prepayments	14,268	22,217
Advance to suppliers	131	2,410
Receivables from a related party (Note 25)	3,973	875
	40,900	72,239
Less: Provision for impairment losses	(3,469)	(4,189)
	37,431	68,050

An analysis of trade receivables is as follows:

	2019 USD'000	2018 USD'000
Fully performing	10,481	8,789
Past due	8,578	33,759
Impaired	3,469	4,189
	22,528	46,737

22 Trade and other receivables (continued)

At 31 December 2019, trade receivables of USD 8.6 million (2018: USD 33.8 million) were past due but not impaired. These relate to a number of independent customers for whom the Group is not expecting any credit losses. The Group considers that the carrying amount of trade receivables approximates to their fair value.

	2019 USD'000	2018 USD'000
Up to 3 months	6,676	26,132
3 to 6 months	326	3,160
Over 6 months	1,576	4,467
	8,578	33,759

At 31 December 2019, trade receivables of USD 3.5 million (2018: USD 4.2 million) were impaired and provided for. The individually impaired receivables mainly relate to customers who are in a difficult economic situation. The ageing analysis of these trade receivables is over six months.

The carrying amounts of the Group's trade and other receivables are primarily denominated in USD or UAE Dirhams, which are pegged to the USD.

Movements on the provision for impairment losses are as follows:

	2019 USD'000	2018 USD'000
At 1 January	4,189	5,317
Provision for impairment losses	41	–
Receivables written off during the year as uncollectable	(761)	(113)
Amounts recovered during the year	–	(1,015)
At 31 December	3,469	4,189

The creation and release of the provision for impairment losses have both been included in general and administrative expenses in the consolidated income statement (Note 10).

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The carrying value of trade receivables approximates to their fair value.

Refer to Note 3.1(c) for an assessment of expected credit losses.

23 Contract assets

	2019 USD'000	2018 USD'000
Amounts due from customers on contracts	26,318	48,081
Contract work-in-progress	14,066	6,850
	40,384	54,931

Amounts due from customers on contracts comprise:

	2019 USD'000	2018 USD'000
Costs incurred to date	401,548	389,326
Attributable loss	(102,029)	(74,731)
	299,519	314,595
Less: Progress billings	(273,201)	(266,514)
	26,318	48,081

The Group does not expect any credit losses from contract assets due to history of payment from these customers. Refer to Note 3.1(c) for an assessment of expected credit losses.

Notes to the consolidated financial statements
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24 Cash and bank balances
(a) Cash and cash equivalent
Group

	2019 USD'000	2018 USD'000
Cash at bank and on hand	26,162	38,684

(b) Term and margin deposits
Group

	2019 USD'000	2018 USD'000
Margin deposits – under lien (with original maturity less than three months)	2,543	3,800
Margin deposits – under lien (with original maturity more than three months)	33,811	46,987
Deposits with original maturity of more than three months	–	10,333
Term and margin deposits	36,354	61,120
Non-current	432	333
Current	35,922	60,787
	36,354	61,120

At 31 December 2019, the cash at bank and short-term deposits were held with 13 banks (2018: 15 banks). The effective interest rate on short-term deposits was 2.11% (2018: 1.85%) per annum. Margin and short-term deposits of USD 2.5 million (2018: USD 3.8 million) and deposits with an original maturity of more than three months amounting to USD 33.8 million (2018: USD 46.9 million) are held under lien against bank guarantees (Note 37).

Cash and cash equivalents are assessed to have low credit risk as further detailed in Note 3.1c. Therefore, management does not estimate the loss allowance on cash and cash equivalents at the end of reporting period as material.

Cash and bank balances has been restated to provide enhanced disclosure of cash and cash equivalents and term and margin deposits separately on the face of the balance sheet. Term and margin deposits as at 31 December 2018 has been adjusted by USD 12.1 million to USD 61.1 million and as at 31 December 2017 by USD 59.7 million to USD 191.7 million. Inflows and outflows of term and margin deposits with original maturity of more than three months have been disclosed separately in the consolidated cash flow statement. The comparative numbers have therefore, been restated as these were on a net basis in the prior period. In the prior period, movement in 'deposit with original maturity of more than three months' were disclosed as a net inflow of USD 131.7 million with movement in 'margin deposits under lien (with original maturity more than three months)' as net outflow of USD 5.4 million. Net inflows from margin deposits under lien (with original maturity less than three months) have been restated to remove USD 5.3 million from margin deposits (with original maturity less than three months) to margin deposits (with original maturity more than three months) to correctly reflect the movement in those margin deposit accounts.

Company
Cash and bank balance comprise of cash held with one bank (2018: one bank).

25 Related party balances and transactions
Related parties comprise LHL (which owns 33.12% of the issued share capital of the Company), certain legal shareholders of the Group companies, Directors and key management personnel of the Group and entities controlled by Directors and key management personnel. Key management includes the Directors and members of the Executive Committee. Related parties, for the purpose of the parent company financial statements, also include subsidiaries owned directly or indirectly and joint ventures. Other than those disclosed elsewhere in the financial statements, the Group entered into the following significant transactions during the year with related parties at arm's length prices:

Group

	2019 USD'000	2018 USD'000
Key management compensation	8,195	8,087
Sales to associates	6,948	827
Purchases from associates	225	395
Re-chargeable expenses to associates	8,398	18,008
Sponsorship fees and commissions paid to legal shareholders of subsidiaries (Note 1)	316	325

Company

	2019 USD'000	2018 USD'000
Key management compensation	2,933	2,984
Revenue (management fees charged to subsidiaries)	4,903	4,912

25 Related party balances and transactions (continued)

Key management compensation comprises:

Group

	2019 USD'000	2018 USD'000
Salaries and other short-term benefits	5,013	4,918
Share-based payments – value of services provided	2,971	2,198
Post-employment benefits	211	199
Short-term incentive plans	–	772
	8,195	8,087

Company

	2019 USD'000	2018 USD'000
Salaries and other short-term benefits	1,571	1,569
Share-based payments – value of services provided	1,289	974
Post-employment benefits	73	69
Short-term incentive plans	–	372
	2,933	2,984

The terms of the employment contracts of the key management include reciprocal notice periods of between three to 12 months.

Due from/due to related parties

Due from related parties

Group (Note 22)

	2019 USD'000	2018 USD'000
MISA (in respect of sales to associate)	1,870	653
IMI (in respect of expenses on behalf of associate)	1,681	154
LSAL (in respect of expenses on behalf of joint venture)	354	–
Mada Al Sharq Company LLC (in respect of investment in joint venture)	68	68
	3,973	875

Company

	2019 USD'000	2018 USD'000
MIS*	11,370	11,319
MOL#	3,372	3,372
LEL~	662	–
EBT^	126	126
	15,530	14,817

* Primarily comprises a receivable in respect of management fees charged by the Company.
# Primarily comprises of a receivable in respect of expenses incurred for IMI.
~ Primarily comprises of a receivable in respect of expenses incurred on behalf of the Company.
^ Primarily comprises of payments made for treasury shares acquired by EBT on behalf of the Group.

Further, the Company has provided performance guarantees on behalf of its subsidiary. These guarantees, issued in the normal course of business, are outstanding at the year-end and no outflow of resources embodying economic benefits in relation to these guarantees is expected by the Company.

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25 Related party balances and transactions (continued)
Due from/due to related parties
Due to a related party
Group

	2019 USD'000	2018 USD'000
MISA (in respect of purchases) (associate) (Note 30)	649	423

Company

	2019 USD'000	2018 USD'000
CBL (in respect of expenses incurred on behalf of the Company)	481	470
LEL (in respect of expenses incurred on behalf of the Company)	–	317
	481	787

26 Share capital and share premium
Issued and fully paid ordinary shares
Group/Company

	Equity Number	Share capital USD'000	Share premium USD'000
At 1 January 2018 and 31 December 2018	341,726,570	30,346	315,995
At 31 December 2019	341,726,570	30,346	315,995

The total authorised number of ordinary shares is 400 million shares (2018: 400 million shares) with a par value of 5 pence per share (2018: 5 pence per share).

During 2019, Lamprell plc EBT acquired 101,783 shares (2018: 353,828 shares) of the Company. The total amount paid to acquire the shares was USD 71,023 (2018: USD 222,420) and has been deducted from the consolidated retained earnings. During 2019, 101,783 shares (2018: 353,828) were issued to employees and 16,268 shares (31 December 2018: 16,268 shares) were held as treasury shares at 31 December 2019. The Company has the right to reissue these shares at a later date. These shares will be issued on vesting of the retention shares/performance shares/share options granted to certain employees of the Group.

27 Other reserves
Group

	Legal reserve USD'000	Merger reserve USD'000	Hedge reserve USD'000	Translation reserve USD'000	Total USD'000
At 1 January 2018	98	(18,572)	1,360	(1,009)	(18,123)
Currency translation differences	–	–	–	(160)	(160)
Reclassification of cash flow hedges	–	–	(1,360)	–	(1,360)
At 31 December 2018	98	(18,572)	–	(1,169)	(19,643)
Currency translation differences	–	–	–	308	308
At 31 December 2019	98	(18,572)	–	(861)	(19,335)

Legal reserve
The legal reserve relates to subsidiaries (other than the subsidiaries incorporated in free zones) in the UAE and the State of Qatar. In accordance with the laws of the respective countries, the Group has established a statutory reserve by appropriating 10% of the profit for the year of such companies. Such transfers are required to be made until the reserve is equal to, at least, 50% (UAE) and 33.3% (State of Qatar) of the issued share capital of such companies. The legal reserve is not available for distribution.

Merger reserve
On 11 September 2006, the Group acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition was accounted for using the uniting of interest method.

On 25 September 2006, the Company entered into a share-for-share exchange agreement with LEL and LHL under which it acquired 100% of the 49,003 shares of LEL from LHL in consideration for the issue to LHL of 200,000,000 shares of the Company. This acquisition has been accounted for using the uniting of interest method.

27 Other reserves (continued)

Company

Other reserve

	2019 USD'000	2018 USD'000
At 1 January	189,052	189,059
Currency translation differences	–	(7)
Transferred to retained earnings	(189,052)	–
At 31 December	–	189,052

The other reserve arose on acquisition of LEL and is not available for distribution. However, transfers may be made to retained earnings in an amount equal to any impairment recognised. The balance of USD 189.1 million has been transferred to retained earnings against the impairment recognised amounting to USD 475.2 million (Note 19).

28 Provision for employees' end-of-service benefits

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2019 and 2018, using the projected unit credit method, in respect of employees' end-of-service benefits payable under the labour laws of the countries in which the Group operates. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. The obligation for end-of-service benefit is not funded.

The movement in the employees' end-of-service benefit liability over the periods is as follows:

Group

	2019 USD'000	2018 USD'000
At 1 January	32,088	34,129
Current service cost	3,391	3,648
Interest cost	1,153	971
Re-measurements	3,074	(851)
Benefits paid	(2,843)	(5,809)
At 31 December	36,863	32,088

Re-measurements consist of actuarial loss from a change in financial assumptions of USD 2.0 million (2018: gain of USD 1.2 million) and an actuarial loss from a change in other experiences of USD 1.1 million (2018: loss of USD 0.3 million).

Company

	2019 USD'000	2018 USD'000
At 1 January	280	217
Current service cost	64	61
Interest cost	9	8
Re-measurements	27	(6)
At 31 December	380	280

Group

The amounts recognised in the consolidated income statement are as follows:

	2019 USD'000	2018 USD'000
Current service cost	3,391	3,648
Interest cost	1,153	971
Total (included in staff costs) (Note 11)	4,544	4,619

The above charges are included in cost of sales and general and administrative expenses.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

28 Provision for employees' end-of-service benefits (continued)
Company

	2019 USD'000	2018 USD'000
Current service cost	64	61
Interest cost	9	8
Total (included in staff costs)	73	69

The above charge of USD 0.1 million (2018: USD 0.1 million) is included in general and administrative expenses.

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	2.80%	3.90%
Future salary increase:		
Management and administrative employees	2.00%	2.00%
Yard employees	2.00%	2.00%

The rate used for discounting the employees' post-employment defined benefit obligation should be based on market yields on high-quality corporate bonds. In countries where there is no deep market for such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market for corporate bonds and no market for government bonds and therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy. On this basis, the discount rate applied was 2.8% (2018: 3.9%).

The rates used for future salary increase are long-term assumptions which take into account inflation, relevant factors in the employment market and the Group's own expectations.

Due to the nature of the benefit, which is a lump sum payable on exit for any cause, a combined single decrement rate has been used as follows:

	Percentage of employees at each age exiting the plan per year	
	2019	2018
Yard employees:		
20 – 34 years	15%	15%
35 – 64 years	10%	10%
65 years and above	100%	100%
Management and administrative employees:		
20 – 34 years	16%	16%
35 – 64 years	12%	12%
65 years and above	100%	100%
Executive Directors:		
35 – 39 years	10%	10%
40 – 64 years	7%	7%
65 years and above	100%	100%

29 Derivative financial instruments

	2019			2018		
	Notional contract amount USD'000	**Assets USD'000**	**Liabilities USD'000**	**Notional contract amount USD'000**	**Assets USD'000**	**Liabilities USD'000**
Interest rate swaps	–	–	–	20,000	218	–
Total	–	–	–	20,000	218	–
Current portion	–	–	–	20,000	218	–

The Group had an interest rate swap to switch floating interest rates to fixed interest rates on the Group's borrowings. This derivative did not qualify for hedge accounting and was carried at FVTPL. This contract matured during the year.

30 Trade and other payables

	2019 USD'000	**2018 USD'000**
Trade payables	40,127	23,572
Accruals and other payables	52,693	59,897
Payables to a related party (Note 25)	649	423
	93,469	83,892

The Group considers that the carrying amount of trade payables approximates to their fair value.

31 Contract liabilities

	2019 USD'000	**2018 USD'000**
Amounts due to customers on contracts	3,826	22,373
Amounts due to customers on contracts comprise:		
Progress billings	312,310	130,924
Less: Cost incurred to date	(270,947)	(89,313)
Less: Recognised profit	(37,537)	(19,238)
	3,826	22,373

32 Provision for warranty costs and other liabilities

	Warranty costs USD'000	**Minimum purchase obligations USD'000**	**Total USD'000**
At 1 January 2018	7,241	234	7,475
Charge during the year	2,612	–	2,612
Released/utilised during the year	(5,687)	(234)	(5,921)
At 31 December 2018	4,166	–	4,166
Charge during the year	8,799	–	8,799
Released/utilised during the year	(1,525)	–	(1,525)
At 31 December 2019	11,440	–	11,440

Warranty costs charged during the year relates to management's assessment of potential claims under contractual warranty provisions. The charge during the year is included in subcontract cost (Note 7).

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

33 Borrowings

	2019 USD'000	2018 USD'000
Term loans	20,058	19,768
The bank borrowings are repayable as follows:		
Current (less than 1 year)	20,058	19,768

At 31 December 2019, the Group has banking facilities of USD 305.9 million (2018: USD 540.1 million) with commercial banks. The facilities include bank overdrafts, various bank guarantees and term loans. These are summarised below:

31 December 2019	Facility USD'000	Amount utilised USD'000	Amount available to be used USD'000
Funded facilities			
Term loans	20,000	20,000	–
Unfunded facilities			
Bank guarantees (Note 37)	285,941	101,883	184,058
Total	305,941	121,883	184,058

Repayments of borrowings amounting to USD 40.0 million were made during the year. Draw-down during the year amounted to USD 40.0 million. As at 31 December 2019, the Group borrowings amount to USD 20.1 million.

Bank facilities are secured by liens over term deposits of USD 36.4 million (2018: USD 50.7 million) (Note 24), the Group's counter-indemnities for guarantees issued on its behalf, the Group's corporate guarantees, letters of undertakings, letters of credit payment guarantees, cash margin held against letters of guarantee, shares of certain subsidiaries, certain property, plant and equipment, movable assets, leasehold rights for land and certain contract-related receivables.

The Group facilities were scheduled to expire in December 2019. However, on 9 December 2019, the Group secured an extension to these facilities to 14 April 2020, and negotiations are ongoing to finalise new financing arrangements to provide increased headroom for the business.

Based on the extended terms, the outstanding amount is payable in four equal monthly instalments of USD 5.0 million between the period January to April 2020. This is subject to trigger events which would either result in an instalment being brought forward or debt being settled should the Group receive either an advance payment from anticipated new awards or from a new financing arrangement respectively.

The borrowings include accrued interest of USD 0.1 million (2018: prepayment USD 0.1 million).

The bank facilities relating to the term loans carry interest at LIBOR + 3.5%. Previously, the Group entered into an interest rate swap against the variable interest rate on its term loan facility to convert the LIBOR component into a fixed interest rate of 1.2375% (2018: 1.2375%). This interest rate swap matured in August 2019, the initial expiry date of the term loan.

The carrying amounts of borrowings in the year approximated to their fair value and were denominated in USD or UAE Dirhams, which are pegged to the USD.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flows as cash flows from financing activities.

Year ended 31 December 2019

	1 January USD'000	Draw-down during the year (cash) USD'000	Repayment during the year (cash) USD'000	Accrued interest / Additions to lease liabilities (non-cash) USD'000	Re-measure-ments (non-cash) USD'000	31 December USD'000
Term loans	19,768	40,000	(40,000)	290	–	20,058
Lease liabilities*	60,949	–	(2,857)	402	(1,121)	57,373
	80,717	40,000	(42,857)	692	(1,121)	77,431
Year ended 31 December 2018						
Term loans	39,491	–	(20,000)	277	–	19,768

* Lease liabilities are initially recognised on 1 January 2019 on adoption of IFRS 16 (Note 2.1).

34 Loss of the Company

The loss of USD 475.0 million (2018: profit of USD 0.1 million) in respect of the Company is included in these consolidated financial statements. This includes an impairment of investment in subsidiary amounting to USD 475.2 million.

35 Dividends

There were no dividends declared or paid during the year ended 31 December 2019 or 31 December 2018.

36 Commitments

(a) International Maritime Industries commitments

In 2017, the Group entered into commitments associated with the investment in International Maritime Industries. Under the Shareholders' Agreement, the Group will invest up to a maximum of USD 140.0 million in relation to its commitment over the course of construction of the maritime yard between 2017 and 2022, with USD 59.0 million already paid to date. The forecast contributions are as follows:

	2019 USD'000	2018 USD'000
Not later than one year	–	31,456
Later than one year but not later than four years	80,966	49,510
	80,966	80,966

b) Other commitments

	2019 USD'000	2018 USD'000
Capital commitments for construction of facilities	110	1,198
Capital commitments for purchase of operating equipment and computer software	7,919	3,273

37 Bank guarantees

	2019 USD'000	2018 USD'000
Performance/bid bonds	88,284	75,269
Advance payment, labour visas and payment guarantees	13,599	31,905
	101,883	107,174

The various bank guarantees, as above, were issued by the Group's bankers in the ordinary course of business. Certain guarantees are secured by cash margins, others by assignments of receivables from some customers and, in respect of guarantees provided by banks to the Group companies, they have been secured by parent company guarantees. In the opinion of management, the above bank guarantees are unlikely to result in any liability to the Group.

38 Lease liabilities

The following is the movement in lease liabilities during the year ended 31 December 2019:

	USD'000
At 1 January 2019 (date of initial recognition)	60,949
Additions during the year	402
Payments during the year	(2,857)
Re-measurements	(1,121)
At 31 December 2019	57,373
Non-current	55,388
Current	1,985
	57,373

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

38 Lease liabilities (continued)
The table below provides details regarding the contractual maturities of lease liabilities as at 31 December 2019 on an undiscounted basis:

	2019 USD'000
Not later than one year	5,826
Later than one year but not later than five years	26,131
Later than five years	63,868
	95,825

Refer to Note 2.1 (a) on IFRS 16 'Leases' for detail on initial recognition of lease liabilities.

39 Cash used in operating activities

		Year ended 31 December	
	Notes	2019 USD'000	2018 USD'000
Operating activities			
Loss before income tax		(184,382)	(69,485)
Adjustments for:			
Share-based payments – value of services provided	9	4,993	3,688
Depreciation	17	23,726	20,218
Amortisation of intangible assets	18	3,891	3,789
Impairment of property, plant and equipment and intangible assets	41	79,301	–
Share of loss of investments accounted for using the equity method – net	20	7,934	10,576
Provision/(release) for warranty costs and other liabilities – net	32	7,274	(3,309)
Profit on disposal of property, plant and equipment		(83)	(26)
(Release)/provision for slow-moving and obsolete inventories	21	(128)	671
Provision/(release) for impairment of trade receivables, net of amounts recovered		41	(1,128)
Provision for employees' end-of-service benefits	28	4,544	4,619
Release on derivative financial instruments		–	(1,360)
Finance costs	12	8,327	5,678
Finance income	12	(1,023)	(2,165)
Operating cash flows before payment of employees' end-of-service benefits and changes in working capital		(45,585)	(28,234)
Payment of employees' end-of-service benefits		(2,843)	(5,809)
Changes in working capital:			
Inventories before movement in provision/(release)	21	993	(40,785)
Derivative financial instruments	29	218	1,448
Trade and other receivables before movement in provision for impairment losses	22	30,283	97,783
Contract assets	23	14,547	(54,931)
Trade and other payables	30	13,195	(116,681)
Contract liabilities	31	(18,547)	22,373
Cash used in operating activities		(7,739)	(124,836)

40 Events after the balance sheet date

Contract settlement

On 23 April 2020, the Group reached a final settlement with ScottishPower Renewables with regards to the close-out of the EA1 project. This settlement removes the risk of liquidated damages, puts in place a process for final acceptance and warranty for the jackets and results in a final overall loss on the project of USD 118.2 million (31 December 2018: USD 89.4 million). The final EA1 receipt has been subsequently received in May 2020.

Restructuring

During January 2020, the Group undertook a major review of how the future organisation should be structured in view of the market downturn. An impairment loss of USD 13.2 million has been recorded relating to write-down of immoveable assets located in the Sharjah yard, whose lease will be terminated during the year. Furthermore, redundancy costs and relocation expenses of transferable assets amount to USD 7.5 million will be accounted for during 2020 as the constructive obligation was met after the reporting date.

Borrowings

On 11 March 2020, the Group paid the final outstanding instalment on its borrowings. The borrowings are therefore, repaid in full.

COVID-19

The Group is exposed to emerging risks, including the recent COVID-19 outbreak which has been labelled a global pandemic by the World Health Organisation. This is causing global economic disruption and has the potential to impact the Group's operations and wider economy. The Group has implemented measures to prevent and contain an outbreak among its workforce but with the impact changing on a real-time basis it is very difficult to understand with certainty the extent to which it might ultimately affect the Group. Given the unpredictable outcome of the virus and the potential resulting policies for containment, the impact on the operating activities of the Group and the recoverability of its assets will continue to be assessed during the course of the coming financial year. This assessment of the recoverability of assets may lead to further impairment but we cannot currently estimate the impact.

Further to the earlier overhead cost savings detailed above, and in order to conserve cash and protect the business during this period of unprecedented market conditions, we have taken the following additional actions during April 2020:

- Reduced fees, salaries and allowances for our Board, senior management, and all our professional staff by 25% for the next six months.
- Where operationally feasible, we have also placed staff on reduced working hours for those that are under-utilised and used other measures such as unpaid leave.
- Redundancies, regrettably, have also been implemented where there is no medium-term horizon for staff to be used.

We will continue to consider scope for further action as the crisis develops.

Oil prices

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak. OPEC+ failed to reach agreement and on 7 March 2020, Saudi Aramco cut its Official Selling Prices, prioritizing market share over pricing and as a result, oil prices fell materially. On 12 April 2020, the OPEC+ ministerial meeting has agreed to adjust downwards their overall crude oil production by 9.7 mb/d, starting on 1 May 2020, for an initial period of two months.

For the subsequent period of 6 months, from 1 July 2020 to 31 December 2020, the total adjustment agreed will be 7.7 mb/d. It will be followed by a 5.8 mb/d adjustment for a period of 16 months, from 1 January 2021 to 30 April 2022. It remains to be seen the effect these adjustments will have on oil prices which could impact timing of awards for our oil & gas market.

41 Impairment of property, plant and equipment and intangible assets

Group

Impairment comprise of the following:	**2019 USD'000**	**2018 USD'000**
Impairment of property, plant and equipment (Note 17)	52,234	–
Impairment of intangible assets (Note 18)	27,067	–
	79,301	–
Split as follows:		
Impairment due to restructuring	13,238	–
Impairment due to year-end reviews	66,063	–
	79,301	–

The Group determines at the end of the reporting period whether there are indicators of impairment in the carrying amount of its property, plant and equipment, intangible assets and other financial assets. Where indicators exist, an impairment test is undertaken which requires management to estimate the recoverable amount of its assets which is initially based on its value in use. When necessary, fair value less costs of disposal (FVLCD) is estimated. Management performs the review at the cash generating unit (CGU) relating to an operating segment's assets located in a particular geography.

Notes to the consolidated financial statements
for the year ended 31 December 2019
continued

41 Impairment of property, plant and equipment and intangible assets (continued)
An indicator of impairment exists at the reporting date in that the market downturn and instability in the oil and gas market continues to affect capital expenditure in the sector. This has had an impact on our backlog and utilisation of our assets attributable to the United Arab Emirates CGU.

Based on this review, an impairment loss of USD 79.3 million (2018: nil) has been recorded during the year largely as a result of property valuation reductions and this includes USD 13.2 million related to the restructuring of the business (exiting of Sharjah yard). The recoverable amount is based on fair value less costs of disposal except for intangible assets were value in use has been used given the nature of the assets.

FVLCD represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date net of costs of disposal e.g. dismantling costs, brokerage and legal fees. The fair value of the Group's property, plant and equipment at 31 December 2019 has been arrived at based on a valuation carried out at that date by Cavendish Maxwell, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards and was determined as follows:

- Buildings & infrastructure, right-of-use assets and leasehold rights – based on the market comparable approach that reflects recent transaction prices for similar properties. Adjustments are made where the sale comparables differ from the subject property. These adjustments are made on a percentage basis and are applied to the price per square metre of the subject. The fair values used have been categorised as Level 2 in the fair value hierarchy as the valuation has been done based on available market and transactional evidence as well as the valuers' general market knowledge of such assets.
- Operating equipment, fixtures and office fittings and motor vehicles – based on available market and transactional evidence. The depreciated replacement cost method has been used to derive the market value of the assets. The depreciated replacement cost method has been used for those assets which are rarely, if ever, sold except as part of a sale of the entire operation of which they form part. This is calculated based on the gross current replacement cost of a new asset, adjusted, where necessary, in respect of technical and functional obsolescence. This is then depreciated to reflect age, wear and tear and other relevant factors, including any residual value at the end of the assets economic working life. The fair values used have been categorised as Level 3 in the fair value hierarchy as the valuation has been done based on available market and transactional evidence as well as the valuers' general market knowledge of such assets.

Right-of-use assets pertain to lease land where buildings and infrastructure are located. Therefore, these have been fair valued as part of the buildings and infrastructure. The impairment has been calculated based on these fair values less cost of disposal compared against carrying amount of buildings and infrastructure, right-of-use assets less lease liabilities pertaining to right-of-use assets.

The costs of disposal have been determined with reference to transaction fees of the market in which the assets are located as well as the costs to dismantle based on historical data for similar assets.

The recoverable amount of intangible assets has been determined using the value in use model as the fair value of these assets cannot be determined separate to their continued used by the CGU. Determining an estimation of value in use of the CGU requires the estimation of future cash flows expected to arise from the CGU and a suitable discount rate to calculate the present value of expected future cash flows. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period.

Revenue for the first three-year period is based upon known opportunities included in our bid pipeline whilst the revenue beyond the three-year period is determined based upon past performance and management expectations of future market development, which includes various assumptions relating to market outlook, contract awards and contract margins. As at 31 December 2019, the Group's pipeline of opportunities amounts to USD 6.2 billion (2018: USD 6.4 billion) – see the Strategic Report, page 4.

The bid pipeline comprises a mixture of opportunities in the renewables and oil and gas market sectors and management have made various assumptions relating to the timing, expected values and the probable outcome of these prospective awards. These assumptions are based on medium-term forecasts for the global energy industry, macro-economic factors, opportunities and market insights obtained from bidding activities. Refer to the Strategic Report for a detailed discussion of the market pipeline and opportunities >> 12.

A discount rate of 12.02% (2018: 9.35%) is used to discount the pre-tax cash flow projections to the present value. In determining the appropriate discount rate, the Group considers the weighted average cost of capital employed, which takes into consideration the risk-free rate of US treasury bonds with a long-term maturity period, the UAE inflation rate, the equity risk premium on the entities operating from the UAE, the Group's beta and the cost of the Group's debt. The increase in discount rate is attributable to an increase in our levered equity beta and cost of debt, partly offset by a decrease in the risk-free US treasury bond rate.

A terminal value growth rate of 2% has been used to calculate the terminal cash flow projections. In determining the terminal value growth rate, the Group considers the long-term average CPI growth rate for the UAE and Europe, which is estimated to be c.2% by the Economist Intelligence Unit. Although the forecast cash flows are USD based, the terminal value growth rate is within the UAE and Europe long-term forecasts and is more appropriate given the location of the business and factors driving revenue and long-term growth.

Based on the value in use calculation, the negative headroom amounted to USD 299.8 million and consequently non-current assets in the UAE CGU not covered by the FVLCD exercise were fully impaired. The significant negative headroom arises as a function of the reduced visibility of future contract awards limiting forecast cash inflows and the benefits of the self-help measures implemented in April 2020 (Note 40) not being reflected in the calculations as prescribed by IAS 36.

The carrying amount of property, plant and equipment at 31 December 2019 was USD 160.1 million (31 December 2018: USD 159.5 million). The carrying amount of intangible assets at 31 December 2019 was nil (31 December 2018: USD 30.0 million).

Glossary

ADNOC	Abu Dhabi National Oil Company
AED	Arab Emirates Dirham
AQR	Audit Quality Review
AGM	Annual General Meeting
API	American Petroleum Institute
CEO	Chief Executive Officer
CfD	Contract for Difference
CGU	Cash Generating Unit
CFO	Chief Financial Officer
Code	UK Corporate Governance Code 2018
Company	Lamprell plc
CPI	Consumer Price Index
CRPO	Contract Release Purchase Orders
DAFWC	Day Away from Work Case
EA1	East Anglia One
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EBT	Lamprell plc Employee Benefit Trust
ECM	Energy Conservation Measures
EPC	Engineering, Procurement, Construction
EPC(I)	Engineering, Procurement, Construction and Installation
EPS	Earnings Per Share
EU	European Union
FRC	Financial Reporting Council
FTSE	Financial Times Stock Exchange Index
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GBP	Pound Sterling
GCC	Gulf Cooperation Council
GHG	Greenhouse Gas
HMRC	Her Majesty's Revenue & Customs
HR	Human Resources
HSE	Health Safety & Environment
HSES	Health Safety Environment & Security
HSESQ	Health Safety Environment Security & Quality
HVAC/ HVDC	Heating, Ventilation & Air Conditioning/ High Voltage Direct Current
IA	Internal Audit
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMI	Industrial Maritime Industries
ISO	International Organisation for Standardisation
IOC	International Oil Company
IT	Information Technology
JD	Juris Doctor
JGC	JGC Holdings Corporation
JPMC	J.P. Morgan Cazenove
KBR	Kellogg Brown & Root
KPI	Key Performance Indicator
LATC	Lamprell Assessment and Training Centre
LEL	Lamprell Energy Limited
LHL	Lamprell Holdings Limited
LIBOR	London Interbank Offered Rate
LSAL	Lamprell Saudi Arabia LLC
LTA	Long Term Agreement
LTIP	Long-Term Incentive Plan
MIS	Maritime Industrial Services Co. Ltd. Inc.
MISA	Maritime Industrial Services Arabia Co. Ltd.
NED	Non-Executive Director
NOC	National Oil Company
OHSAS	Occupational Health and Safety Assessment Series
O&M	Operations & Maintenance
OSP	Offshore Substation Platform
PUQ	Production Utilities Quarters
PP&E	Property, Plant and Equipment
Q&A	Questions and Answers
STIP	Short-Term Incentive Plan
TRIR	Total Recordable Injury Rate
TSR	Total Shareholder Return
UAE	United Arab Emirates
UK	United Kingdom
USD	United States Dollar
VP	Vice-President

Additional information

Alternative performance measures
As set out in this Annual Report, we use a range of financial and non-financial measures to assess our performance. The tables below set out the definitions of such measures, reconciliations to amounts presented in the interim financial statements and the reason for their inclusion in the report. The metrics presented are consistent with those presented in our previous Annual Report and there has been no change to the bases of calculation except for the impact of IFRS 16 – 'Leases' as described below.

EBITDA
In addition to measuring the financial performance of the Group based on operating profit, we also measure performance based on EBITDA. EBITDA is defined as the Group loss for the year from continuing operations before depreciation, amortisation, impairment, net finance expense, taxation, and share of loss of investments accounted for using the equity method.

We consider EBITDA to be a useful measure of our operating performance because it approximates operating cash flow by eliminating depreciation and amortisation. However, EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments.

Reconciliation between Group loss for the year, the most directly comparable IFRS measure to EBITDA, is set out below:

Year ended 31 December	2019 USD'000	2018 USD'000
Loss for the year from continuing operations	(183,514)	(70,656)
Depreciation (Note 17)	23,726	20,218
Amortisation (Note 18)	3,891	3,789
Interest on bank borrowings and leases (Note 12)	5,929	2,001
Finance income (Note 12)	(1,023)	(2,165)
Tax	(868)	1,171
Impairment (Note 41)	79,301	–
Share of loss of investments accounted for using the equity method – net (Note 20)	7,934	10,576
EBITDA	(64,624)	(35,066)
EBITDA margin	(24.8%)	(15.0%)

The comparative EBITDA does not include the effects of the change from IAS 17 – 'Leases' to IFRS 16 – 'Leases'. As such the rent under IAS 17 is not adjusted in calculating 2018 EBITDA whereas its equivalent under IFRS 16 is adjusted when calculating 2019 EBITDA.

Net cash
Net cash measures financial health after deduction of liabilities such as borrowings. A reconciliation between the cash and cash equivalents per the consolidated cash flow statement, the most directly comparable IFRS measure to reported net cash, is set out below:

	2019 USD'000	2018 USD'000
Cash and cash equivalents (Note 24)	26,162	38,684
Margin deposits – under lien (with original maturity less than three months) (Note 24)	2,543	3,800
Margin deposits – under lien (with original maturity more than three months) (Note 24)	33,811	46,987
Deposits with original maturity of more than three months (Note 24)	–	10,333
Borrowings (Note 33)	(20,058)	(19,768)
Net cash	42,458	80,036

Overheads

Overheads are costs required to run our business and cannot be directly attributed to any specific project or service. A reconciliation between unallocated expenses per the segment note in the consolidated financial statements to reported overheads, is set out below:

	2019 USD'000	**2018 USD'000**
General and administrative expenses – excluding digital initiatives and impairment loss (Note 10)	58,277	45,171
Selling and distribution expenses (Note 8)	1,502	1,144
Direct overheads included in cost of sales:		
Unallocated operational overheads (Note 5)	20,167	17,108
Yard rent and depreciation (excluding impairment) (Note 5)	10,574	14,060
Repairs and maintenance (Note 5)	2,947	3,041
Interest expense on leases (Note 12)	4,322	–
Other	6,117	5,881
	103,906	86,405
Impairment (Note 41)	79,301	–
	183,207	86,405

An analysis of overheads excluding impairment is as follows:

Overhead nature:	**2019 USD'000**	**2018 USD'000**
Fixed	34,804	29,204
Semi-variable	5,824	9,579
Variable	63,278	47,622
	103,906	86,405

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