

Risk Assessment

Identification & management

Risk factors

As an oil & gas and renewable energy related business with current operations concentrated in the Middle East, the Company is, by virtue of the nature of its business and the regions in which it operates, subject to a variety of business risks. Outlined below is a description of the principal risk factors that may affect the Group's business. Such risk factors are not intended to be presented in any assumed order of priority.

Any of the risks and uncertainties discussed in this document could have a material adverse effect on the Company's business. In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Company, or which the Company currently deems immaterial, may arise in the future. In particular, the Company's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements.

The management conducts an annual risk assessment and review and, where practicable, deploys strategies to mitigate or transfer risks. Such strategies may include, for example, the purchase of insurance, the development of contractual mechanisms to limit liabilities, and the employment of expertise either in-house or externally sourced, tasked with identifying and managing potential hazards, whether operational, financial or legal.

Category	Risk	Description
Business risks	Counterparty credit risk	The Company is subject to counterparty credit risk. Before entering into major contracts, the Company may undertake credit checks with a view to determining the risk of counterparty default;
	Availability of financing	The Group's growth in the longer-term may be dependent on the availability of financing both for its own future projects and for its customers;
	Expenditure by oil & gas companies	Demand for the Company's services may be adversely impacted by a fall in the levels of expenditure by oil & gas companies;
	Lump sum contracts	On certain projects, the Company operates on the basis of lump sum contracts and is therefore subject to financial risk if it fails to operate within budget. The Company may also be subject to liquidated damages payments if it fails to complete its contracts on time or to specification;
	Small number of contracts	The Company is dependent on a relatively small number of contracts at any given time, some of which are for the same customers;
	Order book fluctuation	The Company operates on a project-by-project basis for EPC contracts and it does not have long term commitments with the majority of its customers, which may cause its visible order book to fluctuate significantly;
	Short refurbishment lead times	The Company's visible order book for upgrade and refurbishment work is usually relatively short and can fluctuate significantly;
	Inflation	The Company may be adversely affected by inflation and rising labour costs;
	Competitive industry	The Company operates in a highly competitive industry and its ability to compete successfully depends on its ability to provide and service high quality products and systems;
	Local and federal regulations	The Company is subject to a variety of local and federal regulations in the UAE, and operates in markets where legal systems are still developing and which do not offer the certainty or predictability of legal systems in mature markets; and
	Conflict, disorder	Certain countries in which the Company's customers operate have experienced armed conflict, terrorism or civil disorder.

Category	Risk	Description
Human resources risks	Skilled personnel	The Company faces significant challenges in attracting and retaining sufficient numbers of skilled personnel;
	Senior management	The Company depends on the performance of its President, Directors, Senior Managers and other essential employees and if it loses any of these key personnel, its business may be impaired; and
	Labour problems	The Company's ability to perform its contractual obligations may be adversely affected by work stoppages and other labour problems.
In each case highlighted above, the Company seeks to mitigate the applicable risk by developing appropriate remuneration structures, and providing an appealing work environment conducive to development of individual skills and experience.		
Liability risks	Liability claims	The Company could be subject to substantial liability claims due to the hazardous nature of its business, and liability to customers under warranties may materially and adversely affect the Company's earnings. The Company seeks to mitigate these risks through the operation of working practices and processes designed to deliver high quality products and services, as well as seeking contractual limits to its liability, and maintaining an appropriate insurance programme;
	Warranty claims and other liabilities	The Company's business is subject to risks resulting from product defects, faulty workmanship or errors in design as well as warranty claims and other liabilities; and
	Health and safety	The Company conducts its business within an increasingly strict environmental and health and safety regime and may be exposed to potential liabilities and increased compliance costs. The Company employs professionals dedicated to ensuring that it maintains high standards in these important areas.
Taxation risks	Fiscal regime of the UAE	Changes in the fiscal regime of the UAE and other countries in which it operates could adversely impact the financial condition of the Group.
Risks relating to the ordinary shares in the Company	Reporting currency	The Company's reporting currency is different to the currency in which dividends will be paid;
	Principal shareholder	Lamprell Holdings Ltd, the principal shareholder, whose interests may conflict with the interests of other shareholders and investors, holds a significant shareholding in the Company;
	Issue of additional shares	The Group may, in the longer-term, seek to raise further funds through the issue of additional shares or other securities. Any funds raised in this way may have a dilutive effect on existing shareholdings, particularly in circumstances in which a non-pre-emptive issue is made, or where shareholders do not take up their rights to subscribe for shares as part of pre-emptive issue; and Pre-emptive rights may not be available to US holders.
Hazards	Perils	Hazards constitute perils such as fire and flood. Hazards are managed through prevention, mitigation, continuity planning and risk transfer through the purchase of insurance.
Financial risks	Financial risks	An analysis of the financial risks can be found on pages 71 to 74.