Lamprell

Lamprell plc is a leading contractor in the Arabian Gulf, providing specialist services to the offshore and onshore oil and gas and renewables industry.

The principal markets in which Lamprell operates are:

> new build construction of jackup rigs and liftboats and upgrade and refurbishment of jackup rigs.

> other new build construction for the offshore oil and gas sector including FPSO, tender assist drilling units and other offshore and onshore structures.

> oilfield engineering services, including the new build construction, upgrade and refurbishment of land rigs.

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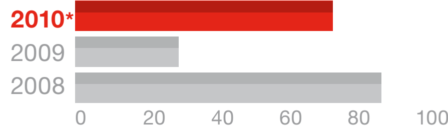
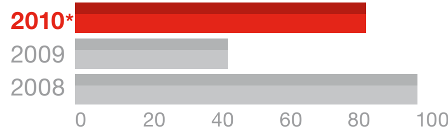
Highlights

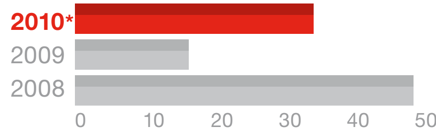
Operating profit USD million



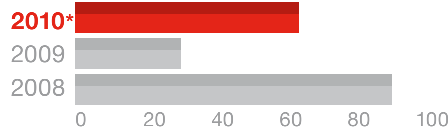
EBITDA USD million



Earnings per share US cents



Net profit USD million



* Before exceptional charges arising from the closure of Lamprell Asia Limited amounting to USD 1.4 million.

> A record order book of USD 850 million at the year end.
> Increased capacity from the significantly enlarged Hamriyah facility.
> Delivered “Offshore Mischief” S116E jackup drilling rig.
> 43 rig upgrade and refurbishment projects undertaken in 2010.
> Completed construction of the Livorno process modules for Saipem S.p.A.

Lamprell at a Glance

Lamprell has three facilities located in the UAE in the Arabian Gulf, one of the most important oil and gas regions in the world.

Jebel Ali

Lamprell's Jebel Ali facility was purpose built in 2002 and is one of the most modern in the region. It is located in the Jebel Ali Free Zone and is 25km from the centre of Dubai.

The facility occupies an area of 178,900m² that includes more than 16,000m² of covered work spaces with internal overhead cranes suitable for carrying out fabrication and assembly activities under cover.

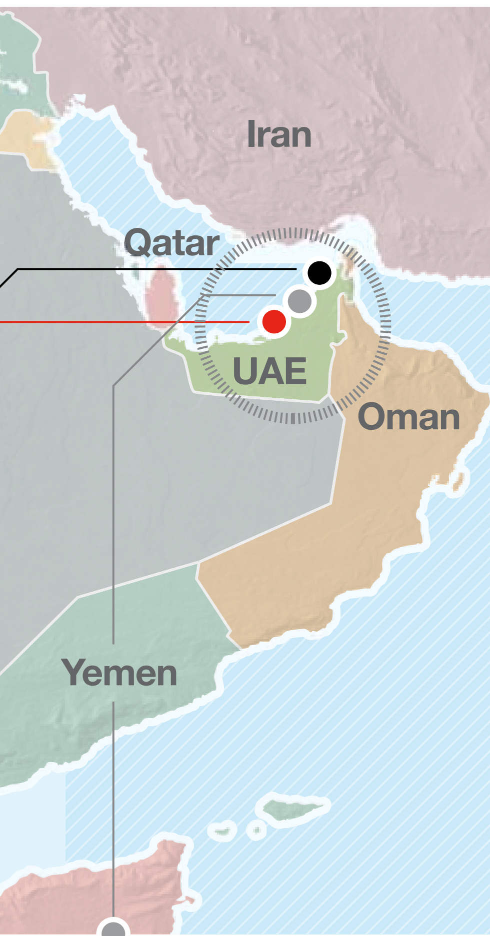
The covered areas also contain the latest welding and CNC cutting machinery. This protected work environment is cooler, safer and more productive than an outside location, and it allows the production of a higher quality product at less cost. The yard was designed to allow optimum production based on a clear and logical flow of material through the facility. In addition to the covered fabrication areas it has extensive open fabrication areas that are equipped with gantry and mobile crawler cranes

Hamriyah

This portside facility of 335,000m² has direct quayside access, and primarily undertakes jackup rig upgrade and refurbishment projects together with new build projects and oilfield engineering related works.

The core workforce at this facility as with both the Sharjah and the Jebel Ali facilities workforce is supplemented from the local labour market when required to meet the demands of specific projects.

Hamriyah includes a deepwater berthing quay wall 1,439m in length and 9m deep which enables Lamprell to work on multiple rigs and simultaneously undertake new build construction projects.



Sharjah

Lamprell's facility in Sharjah is located in Port Khalid, a designated free zone, and it has 360m of direct quayside access at which many of Lamprell's jackup rig upgrade and refurbishment projects are executed.

The facility has a total surface area of 36,000m² that includes 28,000m² of open fabrication areas that are serviced by mobile crawler cranes and tower cranes, as well as 3,500m² of covered fabrication areas. Lamprell's senior management team and the service departments such as finance, human resources and procurement are all located at the Sharjah facility.

Chairman's Statement

A year of significant prog

Jonathan Silver Chairman

2010 was a year of significant progress for the Company, with Lamprell starting to feel the commercial benefits of the expansion both of its physical presence and its service offering.

2010 was a year of significant progress for the Company, with Lamprell starting to feel the commercial benefits of the expansion both of its physical presence and its service offering.

The Company reported revenues of USD 503.8 million for the year, an increase of 18.4 per cent on 2009, and net profit of USD 65.2 million, 129.6 per cent higher than the prior year. At the close of the year the Company's order book stood at a record high of USD 850 million.

The Company's careful management of capital expenditure during the economic crisis, coupled with a carefully phased expansion of its Hamriyah facility, provided a strong foundation from which to meet the opportunities of an improving market.

It was particularly pleasing, in that context, to see a number of sizeable new build contracts awarded in 2010 for both jackup rigs and offshore wind turbine installation vessels. These included the award in July, of the USD 317 million contract by National Drilling Company, Abu Dhabi, for the construction and delivery of two jackup rigs. This contract supported our view that there were (and continue to be) a growing number of opportunities in the new build rig market. This view was reinforced by the award, in November, of a USD 210 million contract by Eurasia Drilling Company Limited for a jackup rig (the largest contract in Lamprell's history for the construction of a single unit), and by the award, in February of this year, by Greatship Global Energy Services Pte. Ltd. of a contract for the construction of a new build jackup rig.

These wins came on top of important awards earlier in the year in one of the Company's newer markets. In February 2010, the Company won a significant contract

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Steven Lamprell President

amounting to USD 320.4 million from Fred Olsen Windcarrier AS for the construction of two offshore wind turbine installation vessels. In June 2010, the Company was awarded a USD 129.0 million contract by Seajacks for the design, construction and delivery of an offshore wind turbine installation vessel. Both these contracts reinforce Lamprell's strong position in a market with significant medium to long-term potential.

The Company experienced a slow down in rig refurbishment in 2010, with jackup rig upgrade and refurbishment activity at a lower level of average expenditure than in 2009, however there are now signs of recovery in this segment, and the Company has continued to see evidence of improvements in most of its other operating markets. Lamprell's bid activity is at a record high.

I am pleased to announce that, having considered the current market conditions, profit earned and cash generated during the year ended 31 December 2010, the Board is recommending a final dividend of 9.50 cents per share. If approved, the final dividend will be paid on 17 June 2011 to shareholders who were on the register on 13 May 2011.

Having been appointed Chief Operating Officer in March 2010, I was delighted to welcome Chris Hand to the Board in January 2011.

I am confident that Lamprell's reputation for quality, its technical capabilities and expertise and timely project execution and delivery, will enable the Company to continue to deliver value for all its stakeholders.

I am particularly grateful, once again, for the dedication and hard work of all Lamprell's management and staff.

Jonathan Silver
Chairman
Lamprell plc

Our Strategy and Performance

Our strategy is centred on sustainable, profitable growth. In delivering this strategy our main aim is to secure value enhancement for our shareholders and other stakeholders.

We use financial and non-financial KPI's to measure our success in the delivery of our strategy and the management of our business.

Maintaining a leading position in the EPC market

Objectives

- Focus on maintaining relations with all market participants
- Expansion of facilities and service offering
- Investment in capital equipment to improve service levels

During 2010 we successfully completed and delivered on a number of major projects, including the "Offshore Mischief" S116E jackup drilling rig and secured additional new build projects, including a USD 317 million contract award from National Drilling Company, Abu Dhabi for two jackup rigs.

Maintaining a focus on repeat business and continued expansion of services

Objectives

- Differentiated service offering
- Focus on timeliness of delivery and price competitiveness
- Focus on achieving leading HSE standards
- Focus on quality assurance and quality control
- Expansion of engineering services to include detailed design

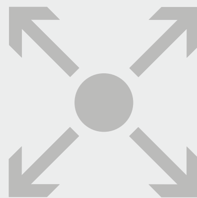
Lamprell adopts a client focused approach to its business, reflecting the value it places on its relationships, and in 2010 this strategy resulted in contract awards from a number of repeat customers in various segments. At the year end our order book included USD 329 million of business from repeat customers.

Investment in a new facility in Hamriyah Free Zone

Objectives

> Production focused design
> Emphasis on operating efficiency
> Yard layout and quayside design focused on rig related operations
> Increased capacity to accommodate multiple new build projects
> Improved staff welfare facilities
> Focus on semi-automated processes

Our significantly enlarged Hamriyah facility now enables us to work on multiple rigs at one time. We continue to invest in this facility to reflect the increasing level of fabrication activity experienced by the Company.



Continuing to expand its client base

Objectives

> Maintain customer focus
> Broad service offering
> International marketing in multiple sectors
> Transfer of skills to alternative energy markets
> Strategic marketing across sectors

We continue actively to market our products and services on an international basis, with prominent new clients in 2010 including Eurasia Drilling Company Limited and Fred Olsen Windcarrier and, in 2011, Greatship Global Energy Services Pte. Ltd. At the year end our order book included USD 521 million of business from new customers.

Chief Executive Officer's Statement

Strong commercial founda

Nigel McCue Chief Executive Officer

2010 proved to be a very positive year for the Company as we saw significant improvement in many of our operating markets after the turbulent period experienced during the economic crisis.

Strengthening oil prices have contributed to unprecedented levels of enquiries and bid activity. A positive development was the unforeseen turnaround in the new build jackup market in the second half of the year. This was in part triggered by a post Macondo effect but moreover by a continuing drive for more modern, cost effective and efficient drilling units designed to meet the ever increasing technical demands of the drilling industry.

Given the continuing emergence from the global financial crisis the results for the year were very pleasing with revenues for the year totalling USD 504 million, resulting in a net profit for the period of USD 66.6 million (USD 65.2 million after exceptional charges), reinforcing the strong commercial foundations of the business and the benefits of our tight management of operational and capital expenditure over the last two years.

The prevailing economic climate, whilst still uncertain in a number of ways, has provided a more stable backdrop in recent months, and the strengthening oil price has encouraged more operator activity, improving sentiment throughout the industry's supply chain.

Our long-standing strategy of maintaining a strong balance sheet has continued to underpin our disciplined fiscal approach even as markets became more active, and this rigorous control remains central to our activities.

We also continue to focus on delivering best in class execution of projects, on time and on budget. This has long been our operating benchmark, and yet again in 2010 we saw the benefits of this delivery-led strategy as repeat business contributed significantly to revenues. We believe that this close attention to providing our customers with exactly what they require is fundamental in ensuring the long term growth of our business.

Throughout 2010 the Company continued to place great emphasis on the development and application of practices designed to provide a workplace that is both safe and which minimises environmental impact. In 2011 the Company remains focused on these key aspects of the operation of its business.

Significant project milestones during the year included the Company delivering its first new build tender assist drilling barge, BassDrill Alpha, in January 2010 as well as resolving the outstanding payment issue relating to the barge. The Company received a cash payment of USD 55 million and 28,000,000 shares in BassDrill, representing 20% of BassDrill's equity. The Company has recently exercised its put option in respect of these shares, receiving USD 2.6 million as consideration for its shareholding.

In April 2010 we were very pleased to deliver our second new build LeTourneau Super 116E jackup drilling rig, the Offshore Mischief, to Scorpion Rigs LTD. Other notable

tions

projects executed during the year included the fabrication of the Livorno FPSO process modules for Saipem S.p.A. with the final module being delivered in September 2010 together with the construction of two offshore well-head platforms for a leading oil and gas operator in India, which were completed and delivered in Q1 2011.

2010 was our most successful year in terms of new orders amounting to USD 1.2 billion, with our order book standing at USD 850 million at the end of the period.

Particularly pleasing were a number of new build construction contracts for both self-propelled offshore wind turbine installation vessels and jackup drilling rigs.

In February, the Company announced that it had received two significant new contract awards from Fred Olsen Windcarrier AS ("Windcarrier"), which in aggregate totalled USD 320.4 million.

The Engineering, Procurement & Construction ("EPC") contract awards from Windcarrier were for the design, construction and delivery of two Gusto MSC NG-9000 design self elevating and self-propelled offshore wind turbine installation vessels. Both vessels will be constructed at Lamprell's Jebel Ali facility and will be delivered in Q2 and Q3 of 2012.

In addition to these contracts for two units, Lamprell and Windcarrier executed an option agreement for two further vessels, the first of which has now lapsed, whereas the second may be exercised up until August 2011.

Our long-standing strategy of maintaining a strong balance sheet has continued to underpin our disciplined fiscal approach even as markets became more active, and this rigorous control remains central to our activities.

Chief Executive Officer's Statement

We believe that our early entry into this new and promising construction market, with the Company now regarded as one of the leading providers of liftboats for offshore wind turbine installation, positions the Company well as the offshore wind sector matures in the medium and longer term.

This early positioning and the revenue benefits of repeat business were reinforced by the receipt in July of a USD 129.0 million new contract award from Seajacks 3 LTD for the design, construction and delivery of a Gusto MSC NG-5500 design self-elevating and self-propelled offshore wind turbine installation vessel. The vessel, named "Seajacks Zaratan", will be constructed at Lamprell's Hamriyah facility and is due to be delivered in 2012.

It was also pleasing to see more positive signs of a strengthening of the new build jackup rig market with the Company receiving a USD 317 million contract award from National Drilling Company ("NDC"), Abu Dhabi in July. This contract with NDC is for the construction and delivery of two jackup rigs valued at USD 158.5 million each. The rigs will be completely outfitted and equipped, LeTourneau designed, self-elevating Mobile Offshore Drilling Platforms of a Super 116E (Enhanced) Class design. Work on the first rig commenced in August with delivery scheduled for the middle of Q2 2012.

As part of the contract, NDC has options for Lamprell to build two further jackup rigs, valued at USD 158.5 million per rig, exercisable during the 12 month period commencing on 1 August 2010.

The NDC contract award facilitated the resolution of the Riginvest contract issue. Lamprell and Riginvest agreed that the contract for the construction of a LeTourneau Super 116E jackup drilling rig terminated upon signature of the contract between NDC and Lamprell. The rig that was being built for Riginvest would now be built for NDC. Riginvest received a portion of the contract advance it initially paid to Lamprell as part of the termination agreement. From an accounting perspective, pursuant to International Financial Reporting Standards, the cancellation of the Riginvest contract created a material one-off accounting gain in the Company's financial statements for 2010, totalling USD 20.4 million, reflecting the gain net of additional provisions arising as a result of the contract cancellation.

A further positive development for our EPC business saw the award in November of a USD 210 million contract from Eurasia Drilling Company Limited for the construction and delivery of a completely outfitted and equipped, LeTourneau designed, self-elevating Mobile Offshore Drilling Platform of a Super 116E (Enhanced) Class design. Lamprell will fabricate the jackup rig in modular form in its new yard in Hamriyah and then complete the construction and commissioning in a shipyard, which is yet to be determined, in the Caspian Sea. The project is planned to be completed 24 months from the commencement of construction.

February 2011 saw the award of a further contract for the construction of a LeTourneau Super 116 E (Enhanced) Class design rig for a new client, Greatship Global Energy Services Pte. Ltd., based in Singapore. The unit is scheduled for delivery in Q4 2012.

Having phased the expenditure on the expansion of our facility in the Hamriyah Free Zone to reflect the prevailing economic conditions, we are now seeing the benefits of the increased capacity. The significantly enlarged quayside has enabled us to work on as many as 11 rigs at one time, thereby increasing the potential of both our rig refurbishment and new build construction businesses.

Due to the increasing level of fabrication activity the Company is in advanced negotiation to acquire an additional 40,000m^2 of land immediately adjacent to our existing yard bringing the total area within the Hamriyah Free Zone to 335,000m^2.

In rig refurbishment we have worked on a total of 43 jackup rigs in 2010 and these projects have included work scopes covering the full range of our upgrade and refurbishment services. Projects

have been shared between our UAE facilities, with Sharjah working on 21 rigs and the Hamriyah facility working on 22 jackups. As previously guided, the jackup rig upgrade and refurbishment activity in 2010 was at a lower level of average expenditure than in the prior year. It remains challenging to anticipate activity in this segment given the relatively short cycle between bidding and the award of work. There are, however, encouraging signs of renewed activity in this market, with the Company well placed to receive further awards in the near future.

Throughout 2010 we continued to construct FPSO process modules for Saipem S.p.A and Saipem Energy Services S.p.A at our Jebel Ali facility and believe that this segment of our business will benefit from the strengthening oil price in the medium term.

Towards the end of 2010 the Company established a core Strategic Development Group comprising industry specialists who are currently working on a number of bespoke engineering solutions for the upstream petroleum sector.

We continue to review all our operations to ensure they are creating value for our shareholders. After a review by management, the Board has now agreed to terminate the Group's operation in Thailand with effect from 31 December 2010. The total cost of closing the facility was not material.

The Board

In March 2010 Chris Hand was appointed as Chief Operating Officer, and joined the Board in January 2011. Chris brings to the Board 15 years of experience with Lamprell and I am certain he will make a very valuable contribution in the coming years. In December, Scott Doak, our Chief Financial Officer, informed the Board that he wishes to leave the Company by the end of 2011 to pursue other interests. Scott will, by then, have spent almost five years with the Company and played a significant part in taking the Company on to The London Stock Exchange AIM market, on to the Main List and through one of the most difficult periods the industry has ever faced. We would like to thank Scott for his hard work and professionalism undertaken during this very demanding period in the Company's history. The Company is currently seeking a successor to Scott. Scott will facilitate the handover to the new person when he or she has been appointed.

Market overview

The Company has a record bid pipeline at this time. In particular we have seen an increase in activity levels in the new build jackup market, reflecting the current buoyancy of that market segment. While the full impact of the deepwater Macondo oil spill in the US Gulf of Mexico on the wider rig market has yet to fully unwind, many sector analysts are predicting a continuation in the new build programmes as the market for higher specification rigs remains strong. As the search for oil and gas becomes increasingly more technically demanding rigs that can drill deeper, horizontal wells more cost effectively in deeper, harsh environment, waters will demand higher day-rates and hence will help drive the new build rig construction market.

As previously reported, we experienced a slowdown in the rig refurbishment market in the second half of 2010, however there are now encouraging signs of renewed activity in this market. We continue to see significant potential for Lamprell in the liftboat market in the medium and longer term and aim to build on our early leadership position in this part of our business.

The Company is actively pursuing a number of exciting prospects for its oilfield engineering business including new build land rigs, refurbishment projects and equipment overhaul and is confident that new business for this segment can be secured in the coming months.

Dividend

The Board of Directors is recommending a final dividend payment of 9.50 cents per ordinary share. This will be payable, when approved, on 17 June 2011 to eligible shareholders on the register at 13 May 2011.

Outlook

Building upon the success of 2010, 2011 has started encouragingly. We maintain our focus on existing core business, together with complementary markets. The Company is confident in its prospects for future growth and success, both for the current year and in the longer term, based upon both its record order book position, and the strengthening which it sees in its key markets.

I would again like to take this opportunity to express my personal thanks, together with those of the Board of Directors, to all of our management, staff and employees for their hard work and dedication which they have given throughout the year. With over 5,000 employees it is indeed a credit and achievement that everyone has played their part in the success of the Company. On a final note I would like to thank our founder and President, Steven Lamprell, for his continuing encouragement and support.

Nigel Robert McCue
Chief Executive Officer

Case study

Strategic Procurement

Lamprell's Procurement and Supply Chain ("PSC") business model revolves around three discrete but nonetheless linked activities of: Source, Buy, and Deliver.

Source involves the development and execution of global sourcing strategies for products and materials required for both our projects and our operations. It also involves the effective management of supplier relationships.

Buy involves the creation of purchase orders, the expediting of deliveries, the maintenance of data and support for the estimating process.

Deliver involves the management of all inbound freight, warehousing and inventory management processes plus the optimisation of all associated logistics processes.

As a means to deliver more value from procurement and supply chain work, Lamprell has established a Strategic Procurement initiative to deliver savings through the consolidation of spend to a smaller number of contracted suppliers where volume is exchanged for both price and other commercial benefits.

Having segmented our suppliers in terms of the value of spend and risk to the business, the PSC team have researched, tendered and negotiated Framework Agreements for commodities and services which are both critical and strategic to the business.

Through the Framework Agreements we have delivered savings in two ways:

1. The delivery of direct and tangible measurable benefits to the business including:

> unit price reduction;
> working capital reduction;
> product substitution; and
> demand reduction.

2. The delivery of less tangible but valuable benefits to the business including:

> improving safety;
> reducing risk;
> providing innovation;
> enhancing brand image;
> positively contributing to the environment; and
> enhancing Corporate Social Responsibility.

Although the strategic procurement initiative is at an early stage 16 Framework Agreements have been completed capturing direct savings and other benefits such as extended warranty terms and enhanced safety by eliminating all acetylene gases from our facilities.

Our strategic procurement work continues for the benefit of the Company, its employees, its clients and the maximisation of shareholder value.

Operating Review

Chris Hand Chief Operating Officer

The strength of Lamprell's operations is reflected in the order book, which was at a record high at the year end.

Lamprell continues to focus on maintaining high standards of project execution, with a particular emphasis on safety, high quality standards and delivering projects both on time and on budget.

This focus on project execution, as well as client satisfaction, ensures that Lamprell maintains and strengthens relationships with existing customers, and enables Lamprell to secure new customers and expand its customer base.

The strength of Lamprell's operations is reflected in the order book, which was at a record high of USD 850 million at the year end and included USD 521 million from new customers and USD 329 million from repeat customers.

During the year Lamprell has continued to focus on the execution of Engineering, Procurement and Construction ("EPC") new build projects, including the construction of jackup drilling rigs and liftboats, whilst continuing our traditional rig refurbishment and fabrication projects for the offshore oil and gas sector.

The principal markets in which Lamprell operates, and the principal services provided are:

> EPC new build construction of jackup drilling rigs, liftboats and tender assist drilling units;
> upgrade and refurbishment of offshore jackup rigs;
> new build construction for the offshore oil and gas sector; and
> oilfield engineering services, including the upgrade and refurbishment of land rigs.

The operational aspects of these business activities are reviewed as follows:

Engineering Procurement and Construction

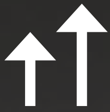
Lamprell secured four major EPC projects during 2010 and these projects are under construction at Lamprell's Jebel Ali and Hamriyah facilities.

Fred Olsen liftboats

The first EPC award in 2010, from Fred Olsen Windcarrier, for two GustoMSC NG-9000 design self-elevating and self-propelled offshore wind turbine installation vessels, was confirmed in February 2010, for execution at the Jebel Ali facility. Subsequently the engineering and procurement phase of the project has proceeded according to schedule and construction activities relating to this USD 320.4 million contract commenced in Q3 2010 for unit 1 and Q4 2010 for unit 2. Construction will continue throughout 2011 prior to load out and delivery in 2012.

Seajacks liftboat

Following the successful delivery on time and on budget in 2009 of the wind turbine installation vessels, "Seajacks Kraken" and "Seajacks Leviathan", Lamprell secured a USD 129.0 million contract award in June 2010 from Seajacks 3 LTD for the delivery of "Seajacks Zaratan", a GustoMSC NG-5500C design self-elevating and self-propelled offshore wind turbine installation vessel. The engineering and procurement activities associated with this project have proceeded according to schedule and construction activities commenced at Lamprell's Hamriyah facility in Q4 2010. Construction will continue throughout 2011 prior to load out and delivery in 2012.



Our Strategy in Action

Maintaining a leading position in the EPC market

Our strategy is centred on sustainable, profitable growth. In delivering this strategy our main aim is to secure value enhancement for our shareholders and other stakeholders. We use financial and non-financial KPI's to measure our success in the delivery of our strategy and the management of our business.

Operating Review

Lamprell focuses on safety, high quality standards, and delivering projects both on time and on budget.

Scorpion S116 E jackup drilling rig

Following the delivery of the Offshore Freedom in 2009 Lamprell was very pleased to deliver the Scorpion Offshore Mischief on time and on budget in April 2010 at the Hamriyah facility.

NDC S116E jackup drilling rigs

In July Lamprell signed a contract with the National Drilling Company, Abu Dhabi to construct two LeTourneau S116E jackup drilling rigs. The engineering and procurement phases of this contract are now well advanced and construction at Lamprell's Hamriyah facility is under way. Both rigs are on schedule for delivery in 2012.

EDC S116E jackup drilling rig

In November Lamprell signed a USD 210 million new contract award with Eurasia Drilling Company for the construction and delivery of a LeTourneau S116E. The unit will be constructed in modular form at Lamprell's Hamriyah facility and then transported, via the Volga Don canal, to the Caspian Sea for final assembly and delivery. The construction of the hull modules commenced in Q1 2011 and the transportation to the Caspian Sea is scheduled in Q1 2012 with delivery in 2013.

Upgrade and refurbishment of offshore jackup rigs

In rig upgrade and refurbishment Lamprell worked on a total of 43 jackup rigs throughout the year, and these projects have included work scopes covering the full range of our upgrade and refurbishment services.

Projects have been shared between our UAE facilities, with the Hamriyah facility working on 22 jackups and Sharjah working on 21 rigs.

Refurbishment and upgrade projects such as these vary greatly in scope from project to project and depend on the existing condition of each rig and the owner's upgrade requirements. A minor project can have a work schedule lasting a few days, whereas a major upgrade project with a significant engineering requirement can last for 12 months or more. Throughout 2010 average work volumes on individual rigs was reduced, whilst the higher rig count compensated for this trend. Typical upgrade and refurbishment projects include some of the following work scopes:

- leg extensions and/or strengthening;
- conversion of slot rigs to cantilever mode;
- living quarters extension, upgrade and refurbishment;
- engine replacement and repower works;
- mud process system upgrade and/or refurbishment;
- helideck replacement, upgrade and/or refurbishment; and,
- condition-driven refurbishment, including structural steel and piping replacement and painting.

New build construction for the offshore oil and gas sector

Our Jebel Ali facility continues to work on projects that require the utilisation of the state-of-the-art facility, along with the high levels of project management control that ensure safety and quality standards are maintained whilst keeping a strong focus on delivery.

Our Strategy in Action

Investment in Hamriyah

Throughout 2010 we continued to invest in the phased construction of our Hamriyah facility. At the year end the facility was fully operational with the key components of the yard completed. The construction process continues and completion of the facility including a new administration building, main stores and state-of-the-art structural fabrication and piping workshops is scheduled for the fourth quarter of 2011.

The structured capital investment programme at all facilities continued throughout 2010.

Operating Review

We aim to provide a safe and supportive work environment to our employees.

This focus on delivery ensured that work on the Livorno process modules for Saipem S.p.A. was completed on time and on budget with final delivery taking place in September 2010. The Aquila process modules for Saipem Energy Services S.p.A. were similarly delivered on time and on budget with the final module delivered in Q1 2011.

Throughout 2010 two offshore well head platforms with associated jackets and piles were under construction for a leading oil and gas operator. These platforms will be delivered in Q1 2011.

In Q4 2010 Lamprell was awarded a USD 39 million contract from a leading integrated energy provider for the construction of an offshore topside structure comprising of a two level utility deck and five level accommodation module for 38 personnel. The project will be constructed to North Sea standards and is scheduled for delivery alongside the Jebel Ali quay in Q1 2012. At the end of 2010 fabrication had commenced following initial engineering and procurement activities.

Human resources

Attracting, developing and retaining talented staff is of paramount importance to the success of Lamprell as a business. At Lamprell we consider our employees to be our greatest asset and the continuous development and multi-skilling of our staff remains a focus for our success. The Human Resources ("HR") Department has developed policies and best practices for effective employee management enabling managers to capitalise on the strengths of the employees and their ability to contribute to the accomplishment of work. It is recognised that successful employee management helps employee motivation, development, and retention.

Lamprell continues to provide purpose-built accommodation and transportation for the labour force and this enhances our ability to attract and retain our workforce, and dramatically improves the quality and work/life balance expectations of the employees.

We aim to provide a safe and supportive work environment to our employees, who are from diverse cultural backgrounds, and to do so in an environment that provides a competitive compensation programme that is affordable to the Company. We believe this continues to be a market differentiator and will strengthen our position as an "employer of choice" into 2011 and beyond.

The HR department continues to work closely with senior business leaders on strategy execution, in particular designing HR systems and processes that address strategic business issues, organisational and people capability-building, as well as longer term resource and succession management planning.

Operating facilities

In accordance with our organic growth model, the structured capital investment programme at all facilities continued throughout 2010. The primary aims of this investment include higher levels of safety and productivity, as well as improving the working environment for both operational and administrative personnel.

The main area of investment throughout 2010 remained the phased construction of the new Hamriyah facility. At the year end the facility was fully operational with the key components of the yard completed. The construction process continues and completion of the facility including a new administration building, main stores and state-of-the-art structural fabrication and piping workshops is scheduled for Q4 2011.

After a review by management, the Board agreed to terminate the Group's operation in Thailand with effect from 31 December 2010.

Chris Hand
Chief Operating Officer

Our Strategy in Action

Continuing to expand our client base

We continue actively to market our products and services on an international basis, with prominent new clients in 2010 including Eurasia Drilling Company Limited and, in 2011, Greatship Global Energy Services Pte. Ltd.

Risk Factors

As an oil, gas and renewable energy related business with current operations concentrated in the United Arab Emirates, 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 or become material 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.

Business risks

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;

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;

Demand for the Company's services may be adversely impacted by a fall in the levels of expenditure by oil and gas companies;

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;

The Company is dependent on a relatively small number of contracts at any given time, many of which are for the same customers;

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;

The Company's visible order book for upgrade and refurbishment work is usually relatively short and can fluctuate significantly;

The Company may be adversely affected by inflation and rising labour costs;

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;

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

Certain countries in which the Company's customers operate have experienced armed conflict, terrorism or civil disorder.

Human resources risks

The Company faces significant challenges in attracting and retaining sufficient numbers of skilled personnel;

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

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
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;

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

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
Changes in the fiscal regime of the UAE could adversely impact the financial condition of the Group.

Risks relating to the ordinary shares in the Company
The Company's reporting currency is different to the currency in which dividends will be paid;

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;

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 a pre-emptive issue; and

Pre-emptive rights may not be available to US holders.

Hazards
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
An analysis of the financial risks can be found on pages 73 to 75.

Financial Review

Scott Doak Chief Financial Officer

Group revenue increased by 18.4% to USD 503.8 million, with the increase largely driven by offshore new build activity.

Group revenue increased by 18.4% to USD 503.8 million (2009: USD 425.5 million) reflecting an increase in activity from the prior year. The increase was largely driven by a higher level of revenues generated from the offshore new build activity, based in Jebel Ali, including construction of Floating Production, Storage and Offloading units, accommodation units and also two offshore wellhead platforms.

Revenue generated from EPC projects was marginally lower than the prior year as three major projects were delivered in 2009, including one new build jackup and two new build liftboats. Revenue in 2010 largely reflects the delivery of one new build jackup and the commencement of a number of new projects including three liftboats for the windfarm installation sector and two new build jackups, all with deliveries scheduled for 2012. The prior year also reflected an adjustment to revenue arising from a price discount given on the completion of a self erecting tender assist drilling unit for BassDrill Alpha Ltd amounting to USD 23 million.

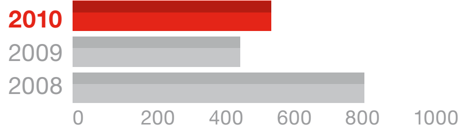
Revenue from jackup rig upgrade and refurbishment activity was largely in line with the prior year but reflected a higher number of rigs refurbished with a continued low level of average expenditure. Revenue from refurbishment activity generated in H2 2010 reflected a reduction in activity from H1 2010 due to a reduction in the number of refurbishment projects.

Revenue from Oilfield Engineering services, related to the refurbishment and construction of land rigs and land camps, reflected a decline from the prior year in line with the market conditions which existed during the year. Revenue from International Inspection Services Limited ("Inspec") also declined, reflecting reduced demand in the year for inspection and non-destructive testing services.

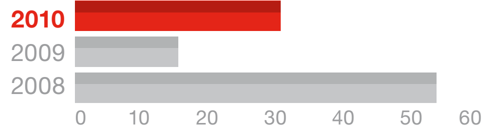
Gross profit increased by 29.0% to USD 79.7 million (2009: USD 61.8 million) resulting in a gross margin of 15.8% (2009: 14.5%). The gross margin on EPC projects in 2010, which is generally lower as a result of a higher level of procurement both in respect of material purchases and sub-contractor work, reflected a positive contribution on the successful completion of the Scorpion Mischief project. However, the gross margin also reflected initial revenues on the commencement of three new EPC projects contracted with lower margins, with two of these contracts reflecting no margin, as the projects were less than 20% complete at the year end. The gross margin was also impacted positively by a number of other one-off projects including land rig refurbishment. The gross margin on rig refurbishment continues to be lower than in prior years as a result of the reduced scopes of work being undertaken and generally tighter market conditions.

Adjusted EBITDA (before exceptional charges) increased to

Revenue USD million



Capex USD million



Results for the year from operations

	2010 (USD million)	2009 (USD million)	Change
Revenue	503.8	425.5	18.4%
Gross profit	79.7	61.8	29.0%
Gross margin	15.8%	14.5%	
Adjusted EBITDA*	78.4	41.2	90.3%
Adjusted EBITDA margin*	15.6%	9.7%	
Adjusted Operating profit*	69.5	27.9	149.1%
Adjusted Operating margin*	13.8%	6.6%	
Adjusted Net profit*	66.6	28.4	134.5%
Adjusted Net margin*	13.2%	6.7%	
Adjusted Diluted Earnings per share*	33.25c	14.20c	134.2%

* For the current year stated before reflecting exceptional charges arising from the closure of Lamprell Asia Limited amounting to USD 1.4 million.

USD 78.4 million (2009: USD 41.2 million) a rise of 90.3% over the prior year reflecting an improved operating performance and also a gain related to the cancellation of the contract with Riginvest G.P. ("Riginvest"), amounting to USD 23.9 million, net of additional costs, arising as a result of the gain from the contract cancellation amounting to USD 3.5 million. The prior year results also reflected a price discount on an EPC project amounting to USD 23 million. Exceptional charges in 2010 reflect the cost of closure of Lamprell Asia Limited amounting to USD 1.4 million. Adjusted EBITDA margin (before exceptional charges) for the year was 15.6% (2009: 9.7%) reflecting the increase in operating margin.

Adjusted operating profit (before exceptional charges) for the year increased by 149.1% to USD 69.5 million (2009: USD 27.9 million) largely comprising the increase in gross profit, the net gain related to the cancellation of the contract with Riginvest and the price discount reflected in the prior year results. The adjusted operating margin (before exceptional charges) of 13.8% reflects an increase from the operating margin in the prior year of 6.6%.

The adjusted net profit (before exceptional charges) increased by 134.5% to USD 66.6 million (2009: USD 28.4 million) in line with the operating profit and also reflects net interest costs in the current period of USD 2.9 million (2009: USD 0.5 million net income) largely arising as a result of facility and guarantee charges related to new contract awards in the year. The adjusted net margin (before exceptional charges) of 13.2% reflects an increase from the net margin in the prior year of 6.7%.

Interest income

Interest income of USD 2.2 million (2009: USD 1.4 million) relates mainly to bank interest earned on surplus funds deposited on a short term basis. The increase reflects a lower level of average deposit rates but higher cash balances during the year when compared to 2009.

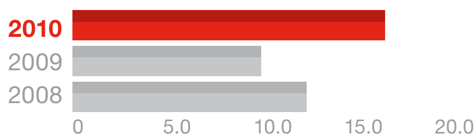
Taxation

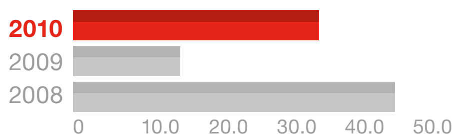
The Company, which is incorporated in the Isle of Man, has no income tax liability for the year ended 31 December 2010 as it is taxable at 0% in line with local Isle of Man tax legislation. The Group is not currently subject to income tax in respect of its operations carried out in the United Arab Emirates, and does not anticipate any liability to income tax arising in the foreseeable future. In December 2008, Lamprell Asia Limited, was granted Board of Investment privileges which allowed the Company's wholly owned subsidiary in Thailand to operate with a tax exempt status for a period of up to eight years. Lamprell Asia Limited ceased operations in December 2010.

Earnings per share

Fully diluted adjusted earnings per share (before exceptional charges) for 2010 increased to 33.25 cents (2009: 14.20 cents) reflecting the increased profit of the Group for the year.

Financial Review





Operating cash flow and liquidity

The Group's net cash flow from operating activities for the year reflected a net inflow of USD 232.8 million (2009: USD 23.9 million net outflow). The net cash inflow from operations was significantly higher than the prior year and mainly reflects increased profit for the year and movements in working capital. Changes in working capital were largely comprised of a decrease in inventory, resulting from the issue of stock for new build jackups, and an increase in trade and other receivables, mainly related to amounts due from customers on contracts and contract work-in-progress from predominantly EPC projects, as five major projects were commenced during the year. Trade and other payables reflect a significant increase largely arising from increased amounts due to customers on contracts at 31 December 2010 amounting to USD 79.8 million (2009 USD 20.2 million), and an increase in advances received for contract work of USD 43.6 million (2009 USD nil) largely in respect of a cash advance on a contract which had not commenced at the year end. Other working capital movements reflect timing differences in respect to other receivables and also supplier commitments primarily on the larger EPC contracts.

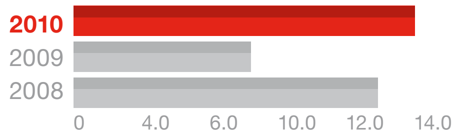
Investing activities for the year absorbed USD 99.4 million (2009: USD 20.1 million) as a result of the continued investment in property, plant and equipment amounting to USD 29.7 million (2009: USD 18.5 million), largely comprising investment in the new Hamriyah facility and the purchase of operating equipment, and also increased deposits of USD 63.6 million and a held-to-maturity investment of USD 6.9 million. This investment activity was offset by interest income of USD 2.2 million received from surplus funds.

Net cash used in financing activities reflected an amount of USD 46.3 million (2009: USD 3.0 million generated from financing activities). This represents dividend payments of USD 15.2 million (2009: USD 6.3 million), the purchase of treasury shares to meet the settlement of share awards to certain Directors and staff of USD 3.5 million (2009: USD 1.7 million) and the decrease in short-term borrowings of USD 22.5 million (2009: USD 11.9 million increase) and increased finance costs of USD 5.1 million (2009: USD 0.9 million) largely arising as a result of facility and guarantee charges related to new contract awards in the year.

Capital expenditure

Capital expenditure on property, plant and equipment during the year amounted to USD 29.7 million (2009: USD 18.5 million). The main area of expenditure was the investment on buildings and related

Net profit margin %



infrastructure at Group facilities amounting to USD 20.2 million (2009: USD 14.4 million), including capital work-in-progress, with additional committed expenditure amounting to USD 13.6 million, reflecting the development of the infrastructure of the Group at all facilities but primarily expenditure at the new Hamriyah facility. Further expenditure on operating equipment amounted to USD 8.6 million to support the growth in activities experienced during the year and to replace hired equipment, where this was deemed cost effective, and to enhance the useful life of a barge.

Shareholders' equity

Shareholders' equity increased from USD 234.8 million at 31 December 2009 to USD 284.0 million at 31 December 2010. The movement mainly reflects the profit for the year of USD 65.2 million net of dividends declared of USD 15.2 million and treasury shares purchased of USD 3.5 million. The movement also reflects a credit for the accounting for share based payments of USD 2.1 million made to certain Directors and employees of the Group and charged to General and Administrative expenses.

Dividends

For the year ended 31 December 2010, the Board of Directors of the Group having duly considered the current market conditions, profit earned, cash generated during the year and taking note of the capital commitments for the year 2011, recommend a final dividend of 9.50 cents per share. If approved this will be paid to shareholders on 17 June 2011 provided they were on the register on 13 May 2011.

Scott Doak
Chief Financial Officer

Corporate Social Responsibility

We are fortunate to have a local business with a global perspective, and a rich variety of cultures and backgrounds from which to draw expertise and experience.

A commitment to the local community

At Lamprell, we recognise the value of fulfilling our responsibilities as a corporate citizen, believing that by doing so we will bring benefits to all our stakeholders. Having been based in Dubai since 1977, the Company is rooted in a community within which it has worked for over thirty years and it has both benefited from, and been a contributor to, that community's development during that period. As a result of both this history and the international nature of our business, we believe we are fortunate to have a local business with a genuinely global perspective, and a rich variety of cultures and backgrounds from which to draw expertise and experience.

Our principles

Our commitment to act as a responsible corporate player has long been reflected throughout the entire organisation, and the Group has a formalised set of policies that state the principles by which we seek to manage our operational activities, work with our staff and host communities, and minimise our impact on the environment.

Our business, the provision of construction services to the oil and gas and renewables industry, requires the highest standards of engineering skill and Health, Safety and Environment awareness. Our fundamental principle is to carry out these activities in a way that delivers the best possible product to our customers whilst minimising risks and maximising rewards to our wider stakeholders.

Accordingly, when we make all our investment and operational decisions, we take account of the social and environmental impacts that they may have, and minimising these is a central part of our decision-making process.

As a publicly listed company our aim is to ensure that our reporting meets all the requisite levels of scrutiny for a business of our size and areas of activity. Maintaining our reputation by aligning our commercial goals with our ethical standards is an essential part of achieving this aim.

Social initiatives

In 2010, we continued to work closely with local communities, business partners and regulatory authorities to make a positive difference within the localities where we operate. In particular we at Lamprell are aware of the cultural mix of our employees with some 80% originating from India.

Don Bosco Snehalaya is a project focused on the street children and youth, living in the city of Vadodara. With Lamprell's support, the basic objective of Snehalaya is to provide shelter to the young living on the railway platforms and in the streets, and other vulnerable children who are in need of care and protection. Snehalaya provides food, clothes, medicines, recreational facilities,

counseling, job placement, contact with their families, and training in trades according to their capacities and individual circumstances. They are given opportunities to interact with the public, to express their potential and their talents. This helps them to develop their self confidence and the awareness that they too can contribute something to society. Ultimately, Snehalaya aims at enabling these street children to return to a decent life within mainstream society.

Charity

Each year we donate a cheque to a worthy local establishment, with the recipients this year being the Dubai Center for Special Needs. The Center caters for children and young people with special needs and is run entirely on donations. It offers a range of services to suit the needs of each child in all areas including education, social, speech and language, occupational therapy, physiotherapy and behavioural management.

People

Attracting, developing and retaining talented staff is a major challenge for the oil and gas industry and at Lamprell we are fortunate to have high quality people across the whole range of our services. It is therefore vital for our continued success that we encourage our staff's personal development and career progression, and treat our people with respect, maturity and openness. We also invest significantly in building their skill sets. We are confident that this approach is the one most likely to enable us to achieve our business objectives by providing quality, continuity and growth. Our policy is to ensure equal opportunity in career development, promotion, training and reward for all of our employees. We aim to ensure that all our employees understand our business goals and our business principles through ongoing communications programmes.

With a diverse range of nationalities working within the group, we also respect and recognise the value of different cultures.

Trade staff accommodation

Due to the rising cost and shortage of residential accommodation in the UAE, combined with a municipality directive forbidding trade labour employees from living in what are termed “family communities”, Lamprell decided to provide purpose built community accommodation for its core trade workforce. This accommodation provides a secure and clean environment for our employees. These facilities are capable of housing up to 400 people, complete with all amenities including an in-house laundry service, restaurants, cinema, recreational equipment, communal rooms with full access to internet, satellite TV and a medical centre. Lamprell provides transport between the accommodation facilities and its workplaces with additional scheduled transport provided for airport and shopping trips etc.

Medical and life insurance

In addition to the in-house medical team, Lamprell provides private medical cover and life insurance for its workforce enabling them to take advantage of locally available high quality medical facilities, whilst giving peace of mind to family dependants.

Health, safety, environment and security summary (“HSES”)

Given the nature and demands of our business, ensuring a high level of performance in health, safety, environment and security is absolutely essential, and Lamprell has a strong track record in these areas. We are very conscious though that there is no room for complacency in HSES and we seek to continually improve our performance.

Health and safety

Internal measures for health and safety performance are very important to ensure focus on this area of our business. Our objective for 2010 was to maintain and improve the developed “safety culture” within the organisation, with all staff encouraged to report any activities they perceive as not conforming to best practice through the incentive linked in-house Safety Observation Audit Programme so that any areas of oversight can be rectified and brought up to the highest possible standard as quickly as possible.

Corporate Social Responsibility

The facilities individually achieved LTI statistics as follows:

Sharjah LTI	4	LTI Frequency Rate 1.79
Jebel Ali LTI	2	LTI Frequency Rate 0.60
Hamriyah LTI	8	LTI Frequency Rate 1.68
LOEF LTI	0	LTI Frequency Rate 0.00
Thailand LTI	0	LTI Frequency Rate 0.00

A contributory factor again this year was the encouraged use of the centralised reporting system for leading indicators under a Total Recordable Incident Ratio. This ratio facilitates the analysis of First Aid Cases, Medical Treatment Cases and Restricted Work Cases as well as Lost Time Incidents ("LTI") and allows management to identify trends and take the appropriate action.

As a result of this approach, we have maintained a strong track record in the area of safety. Lamprell has established a safety record which is exceptional for the oil and gas construction industry. In line with our standardise and centralise programme, the Lamprell Group of companies achieved an overall performance LTI Frequency Rate of 1.33.

However, whilst our own measurement of our safety performance is essential, we also recognise the importance of external analysis of our methods and have achieved relevant accreditation by third parties of our capabilities.

In 2010 Lamprell maintained the accreditation with the management system certificate ISO 14001: 2004 and the updated Occupational, Health and Safety Assessment Series, OHSAS 18001; 2007.

Environment

Across all our activities we seek to minimise the mark we leave on the sites at which we work. A good example is at Hamriyah where, as we expand our existing facility, we are seeking ways to minimise our impact on the local environment and increase our energy efficiency and recycling capability.

By delivering the best possible product to our customers and utilising the most up to date technologies, we also have a direct impact on the environmental performance of the rigs we refurbish by improving their systems and ensuring they conform to all relevant international legislation.

Our policy is to strive to achieve continual improvement in environmental performance. We are committed to preventing pollution and reducing the overall impact of our operations on the environment. In addition, we maintain an internal management structure for the management of environmental issues which includes clearly defined responsibilities for environmental management capable of delivering this policy commitment.

At all times Lamprell aims to comply with, and where possible exceed, applicable legal and other requirements relating to the organisation. We are also committed to monitoring and reporting of our environmental performance, setting objectives and targets for improvement and at all times provide appropriate training and awareness programmes for our staff. Feasibility plans are currently in progress to join the Carbon Disclosure Project.

Waste Management Policy

All businesses affect the environment through the use of resources and discharge of waste products. Our Waste Management Policy is therefore consistent with our broader Environmental Policy, which includes a stated commitment to minimise the environmental impacts of our operations and prevent pollution. Our aim is to limit our discharge of waste material wherever we can and the policy lays out how we seek to achieve this goal.

Security

During 2010, Lamprell maintained a high level of internal and external security controls of its assets on behalf of all stakeholders. These controls were in the form of security procedures, a corporate wide security access system and continued physical security presence.

Quality

Lamprell aims to achieve maximum customer satisfaction and quality of product. In the pursuit of this objective the Company will comply with all national and international standards and requirements with respect to quality assurance. Lamprell will also strive to optimise resources and reduce wastage in the development of our facilities and training of personnel. Whilst aiming to meet these objectives the Company ensures cost effective jobs and services, and delivery on time.

Lamprell meets these objectives by understanding customer requirements, working together with our customers to meet those requirements, understanding our processes well and monitoring and measuring our activities. Ultimately the Company strives to continually improve the Quality Management Systems and operations.

Directors' Biographies

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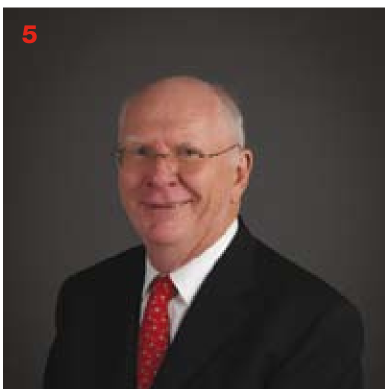
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1 Jonathan Silver (58)
Chairman

Jonathan Silver joined the Board on 24 August 2007 and was appointed as the Chairman of the Company on 27 March 2009. Jonathan trained with a leading City of London law firm and qualified as a solicitor in 1978, working first in London and later in the United Arab Emirates.

In 1981, he started his own practice in the United Arab Emirates and merged that practice with Clyde & Co in 1989. Since then he has headed up Clyde & Co's operations in the region, creating the largest international law firm operating in the Middle East. Jonathan chairs Clyde & Co's regional management board and represents the region on the firm's global management board. Throughout his career in the legal profession, Jonathan has worked in the areas of international banking and finance, mergers & acquisitions, private equity, project and construction work involving him in most sectors of commercial activity including international trade, energy, construction, shipping, commodities and insurance.

He has advised the boards of public and private companies from around the world extensively on their obligations, responsibilities and governance arrangements. Jonathan has, for more than 20 years, been associated with the Lamprell Group, providing legal advice on numerous matters including on the Company's listing on AIM and more recently, the Official List. Jonathan is currently a Director of Tri-Emirates Property Corporation.

2 Nigel Robert McCue (59)
Chief Executive Officer

Nigel McCue was appointed to the role of Chief Executive Officer in May 2009. He joined the Board of Lamprell on 7 July 2006 as a Non-Executive Director prior to being appointed to the Executive position of Chief Operating Officer

in May 2008. Nigel has over 30 years of experience in the petroleum industry. He was a Director and the Chief Executive Officer of Jura Energy Corporation, a company listed on the Toronto Stock Exchange, and is now its Chairman and a member of the Compensation Committee. Prior to this, he was a Director and the Chief Financial Officer of Lundin Petroleum AB. Nigel has also held various positions with Chevron Overseas Inc. and Gulf Oil Corporation. Nigel is the Senior Independent Non-Executive Director, within the definition of the FRC Combined Code, of Dragon Oil plc, where he is the Chairman of its Audit Committee and a member of the Remuneration and Nomination Committees. He is also a Director of Nemmoco Petroleum Limited, a private exploration and production company, Frontier Acquisition Company Limited, Frontier Holdings Limited, and Mavignon Shipping Limited.

3 Scott Doak (49)
Chief Financial Officer

Scott Doak joined Lamprell in March 2007. Scott is responsible for the finance and administration activities of Lamprell. Prior to joining Lamprell, he worked for Reuters Limited, based in Dubai, in the position of Head of Finance for Middle East & Africa, where he was a member of the Senior Management Group involved in strategic planning and market development. Previously he has held senior financial roles with Telerate Limited, Dubai, Price Waterhouse, Dubai and Whinney Murray & Company (Saudi affiliate to Ernst & Young). Scott is a member of the Institute of Chartered Accountants of Scotland and has a Bachelor of Accountancy degree from the University of Glasgow.

4 Christopher Hand (40)
Chief Operating Officer

Chris Hand was appointed to the Board on 26 January 2011. As Chief Operating Officer, Chris takes responsibility for all operational activities undertaken by the Group, including projects, production, engineering and quality assurance. Chris initially held the position of project Quantity Surveyor at Lamprell, before being promoted to Chief Quantity Surveyor in 1999, to Commercial Manager in 2002 and to Chief Operating Officer in 2010. Prior to joining Lamprell in 1996, Chris worked for a major construction company in the United Kingdom. He has a BSc honours degree in quantity surveying, a post graduate diploma in arbitration from the College of Estate Management and an MBA from the Edinburgh Business School.

5 Colin Goodall (66)
Senior Independent Non-Executive Director

Colin Goodall was appointed to the Board on 14 September 2008. He Chairs the Nomination Committee of the Company and is a member of the Audit and Remuneration Committees. He is also the Chairman of Sindicatum Carbon Capital Ltd, and was Chairman of Dana Petroleum plc and Parkmead Group plc until 2010. Colin qualified as a chartered accountant and is a member of the Chartered Institute of Taxation. He spent most of his career in the upstream oil & gas industry with BP plc, where he joined the finance team in 1975, later becoming the first Chief of Staff within the BP Group. From 1995 to 1999 he served as Chief Financial Officer for BP Europe and then as BP's senior representative in Russia. His career has involved assignments in Africa, the Middle East, Europe, Russia and the Americas.

6 Richard Germain Daniel Raynaut (55)
Non-Executive Director

Richard Raynaut was appointed to the Board on 7 July 2006. He Chairs the Audit Committee of the Company and is a member of the Nomination and Remuneration Committees. Richard has been involved in the oil and gas industry since 1977 when he was appointed as an accountant at IHC Caland. Between 1977 and 2004, he held a variety of positions at IHC Caland (renamed SBM Offshore), including Chief Accountant, Treasurer and Financial Controller. From 2000 to 2004, he was appointed the Chief Financial Officer of the offshore division and was an Executive board member of Single Buoy Moorings Inc. From January 2005 onwards he has been involved in Sri Lanka, with the charity Monaco Aide et Presence.

7 Brian Fredrick (59)
Non-Executive Director

Brian Fredrick was appointed to the Board on 1 January 2009. He Chairs the Remuneration Committee of the Company and is a member of the Audit and Nomination Committees. Brian spent most of his career in the financial services industry in Asia and the Middle East and worked in the United Arab Emirates in the 1980s and 1990s. He has also worked for HSBC in Hong Kong, where he was HSBC Asia-Pacific Head of International between 2003 and 2007 and in Brunei, and Vietnam. He was the Chief Executive Officer of HSBC's operations in Mauritius, the Philippines and Indonesia for over ten years. He has served on the boards of a number of companies including A. Soriano Corporation and Concrete Aggregates Inc, both quoted on the Philippine Stock Exchange, Techcombank, one of the largest private sector banks in Vietnam and was Chairman of HSBC Bank (Mauritius) Ltd.

Directors' Report

The Directors present their Annual Report on the affairs of the Company and the Group together with the financial statements and Auditor's Report, for the year ended 31 December 2010. Lamprell plc is the holding company of the Group and all its issued, and authorised, ordinary shares were admitted to listing on the main market of the London Stock Exchange on 6 November 2008.

Principal activities

The principal activity of the Group is the provision of specialised refurbishment and construction services to the oil and gas and renewables industry. The Group operates through a number of subsidiaries which are set out in Note 1 to the financial statements.

The principal activity of the Company is to act as a holding company for the Group.

Results and dividends

The financial statements of the Group for the year ended 31 December 2010 are as set out on pages 55 to 62. The Group net profit for the year amounted to USD 65.2 million (2009: USD 28.4 million).
The Directors recommend a final dividend of 9.50 cents per ordinary share with a Sterling equivalent of 5.88 pence per ordinary share which, if approved, will be paid on 17 June 2011 to eligible shareholders on the register at 13 May 2011. The Company paid an interim dividend of 3.80 cents (2.44 pence) per ordinary share during the year.

There was a transfer of USD 48.6 million (2009: USD 22.4 million) to retained earnings for the year ended 31 December 2010 representing the profit for the year, less dividends paid, adjustments for share-based payments and the purchase of treasury shares. For details refer to the Consolidated Statement of Changes in Equity on page 59.

Business review and future developments

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's statement on pages 4 to 5, the Chief Executive Officer's statement on pages 8 to 11, the Operating Review on pages 14 to 18, and the Financial Review on pages 22 to 25.

Corporate governance and corporate social responsibility

The Corporate Governance Report on pages 36 to 41 and the Corporate Social Responsibility report on pages 26 to 29 provide full details on the efforts made by the Company in these areas.

Directors' remuneration report

Details of Directors' remuneration for the year ended 31 December 2010 can be found in the Directors' Remuneration Report on pages 42 to 53.

Directors

The Company's Articles of Association provide for a Board of Directors consisting of not fewer than two but not more than 12 Directors, who manage the business and affairs of the Company. The Directors may appoint additional or replacement Directors, who shall serve until the next Annual General Meeting ("AGM") of the Company at which point they will be required to stand for election by the members. At each AGM one-third or the number nearest to one third of the Directors are required to retire by rotation and they may stand for re-election.
A Director may be removed from office at a general meeting by the passing of an Ordinary Resolution.
The Directors who served in office during the financial year were as follows:
Jonathan Silver
Peter Whitbread (Retired 7 June 2010)
Nigel McCue
Scott Doak
Colin Goodall
Richard Raynaut
Brian Fredrick

Christopher Hand was appointed to the Board of Directors on 26 January 2011.

Directors' interests

The Directors' interests in the Ordinary Shares of the Company are set out in the Directors' Remuneration Report on page 51.

Capital structure and significant shareholders

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 share 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 Company's Articles of Association and applicable laws. Votes may be exercised by shareholders attending or otherwise duly represented at general meetings. Deadlines for the exercise of voting rights by proxy on a poll at a general meeting are detailed in the notice of meeting and proxy cards issued in connection with the relevant meeting. There are no restrictions on the transfer of shares.

Details of employee share schemes are disclosed on pages 47 to 48 of the Directors' Remuneration Report and in note 9 to the financial statements. During the year the following awards of ordinary shares of 5 pence were granted:

	Granted		Outstanding	
	2010	2009	**2010**	2009
Lamprell plc Free Share Award Plan	**299,000**	763,052	**342,000**	917,148
Lamprell plc Retention Share Plan	**nil**	600,000	**600,000**	600,000
Lamprell plc Executive Share Option Plan	**nil**	550,000	**635,784**	635,784
Lamprell plc Performance Share Plan	**502,572**	nil	**502,572**	nil

The awards under the Lamprell plc Free Share Plan, the Lamprell plc Retention Share Plan and the Lamprell plc Performance Share Plan are granted at nil price.

Pursuant to the Company's share schemes, the Employee Benefit Trust as at the year-end, held a total of 1,277,138 (2009: 1,336,259) ordinary shares of 5 pence, representing 0.64% (2009: 0.67%) of the issued share capital. The voting rights attaching to these shares cannot be exercised directly by the employees, but can be exercised by the Trustees. However, in line with good practice, the Trustees do not exercise these voting rights. In the event of another company taking control of the Company, the employee share schemes operated by the Company have set change of control provisions. In short, awards may, in certain circumstances and in approved proportions, be allowed to vest early or be allowed to be exchanged for awards of equivalent value in the acquiring company.

The Company was given authority at the 2010 AGM to make market purchases of up to 20,000,000 ordinary shares of 5 pence. This authority will expire at the 2011 AGM, where approval from shareholders will be sought to renew the authority.

Approval from shareholders is also proposed to be sought to authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £3,000,000, representing approximately 30% of the Company's current issued ordinary share capital (excluding treasury shares) and to issue equity securities of the Company for cash to persons other than existing shareholders, other than in connection with existing exemptions contained in the Company's Articles of Association or in connection with a rights, scrip dividend, or other similar issue, up to an aggregate nominal value of £500,000 representing approximately 5% of the current issued ordinary share capital of the Company. Similar authorities were given by the shareholders at the AGM in 2010 and the authorities now sought, if granted, will expire on the earlier of the conclusion of the AGM of the Company next year and the date which is 15 months after the granting of the authorities.

Directors' Report

As at 25 March 2011, being the latest practicable date prior to the publication of this Annual Report, the significant interests in the voting rights of the Company's issued ordinary shares as per notification received by the Company (at or above the 3% notification threshold) were as follows:

	Voting rights attaching to issue of total ordinary shares	% of total voting rights	Nature of holding
Lamprell Holdings Limited	66,333,944	33.12	Direct
Standard Life Investments Ltd	18,025,077	9.00	Direct/ Indirect
Royce & Associates LLC	10,054,900	5.02	Direct
Ignis Investment Services Ltd	8,592,941	4.29	Indirect

Articles of Association
The Company's Articles of Association may only be amended by a resolution of the shareholders. A resolution to amend the Articles of Association is being proposed at the 2011 AGM and full details can be found in the accompanying Notice of AGM.

Annual General Meeting
The Company's fifth Annual General Meeting ("AGM") as a listed public company will be held at the Suite 102, City Tower 2, Sheikh Zayed Road, Dubai, United Arab Emirates on Tuesday, 7 June 2011 at 12.00 noon (UAE time). The notice of meeting and an explanatory circular to shareholders setting out the AGM business accompanies this Annual Report.

Principal risks and uncertainties
The Board has established a process for identifying, evaluating and managing the significant risks the Group faces. A detailed analysis of the risks and uncertainties can be found on pages 20 to 21.

Payment policy
The Group's policy in respect of its vendors is to agree and establish terms of payment when contracting for the goods or services and to abide by those payment terms. The Company is the holding Company of the Group and has no trade creditors.

Charitable and political donations
During the year the Group made no political donations (2009: nil) and made charitable donations amounting to USD 2,724 (2009: nil).

Auditor
As far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. In addition, each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

During the year the directors received notice from the Company's auditor, PricewaterhouseCoopers, of its intention to retire at the Company's forthcoming Annual General Meeting. PricewaterhouseCoopers LLC, being eligible, has indicated its willingness to accept appointment as successor auditor in accordance with Section 12(1) of the Isle of Man Companies Act 1982, and a resolution to appoint it will be proposed at the forthcoming Annual General Meeting.

Going concern

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to remain in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2010 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements have been prepared on the going concern basis since the Directors have reasonable expectation that, firstly, the Company's and the Group's activities are sustainable and, secondly, that adequate resources are available to continue in operational existence for the foreseeable future.

The Directors are responsible for the maintenance and integrity of the Company website. Your attention is drawn to the fact that legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from other jurisdictions and uncertainty regarding the legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

Subsequent events

Subsequent events are as set out in note 37 to the Financial Statements.

By order of the Board

Justin Tyler
Company Secretary
25 March 2011

Justin Tyler Company Secretary

Corporate Governance Report

The Company is incorporated in the Isle of Man, where there is no formal Code covering Corporate Governance. However, as the shares of the Company are listed on the Official List of the London Stock Exchange and as the Board is strongly committed to the highest standards of corporate governance, the Board applies the provisions of the Combined Code on Corporate Governance published in 2008 (the "Code") as if the Company was incorporated in the United Kingdom. The Company is aware of the terms of the UK Corporate Governance Code published in 2010.

The Code seeks to ensure that the Company is run in a manner whereby the interests of shareholders are protected and as such the Code sets out principles of good corporate governance together with specific provisions.

Statement of compliance with the provisions of good governance

The Directors consider that throughout 2010 and up to the date hereof, the Company has applied the principles and complied with the provisions of the Code, subject to exceptions identified in this report.

The Board

The Board plans to meet at least six times in a year. The role of the Board is to provide leadership of the Company, set values and standards, and to ensure that the Company's obligations to its shareholders and other stakeholders are met. The Board has a formal schedule of matters reserved to itself for decision, including but not limited to, matters of a strategic nature, approval of the annual budget, approval of major acquisitions, investments and disposals, major changes to the Group's capital structure, the preparation of financial statements, the recommendation or declaration of dividends, the entry into contracts which are deemed to be material strategically or by reason of size, succession planning and appointments to the Board, executive remuneration, ensuring the maintenance of a sound system of internal controls, reviewing its own and its Committees' performance, and reviewing the Company's overall corporate governance arrangements.

The current membership of the Board and the commitments of the Directors are stated on page 37, which record the names of the Chairman, the Senior Independent Director and the Chief Executive Officer. The names of the Chairmen and members of each of the Audit, Remuneration and Nomination Committees are detailed below under the respective Committee summaries.

The Board met six times during the year and one of these meetings was conducted by telephone via a conference call. This meeting was required to deal with a specific business matter which arose as part of the normal business of the Group and which needed to be addressed between scheduled Board meetings. In addition, the Board executes a number of resolutions in writing to conduct Company business. The Chairman and Non-Executive Directors have met without the executives present when necessary and the Executive Directors maintain frequent verbal and written contact with the Non-Executive Directors to discuss various issues affecting the Company and its business. The agenda and appropriate supporting Board papers are distributed by the Secretary to the Board on a timely basis.

Attendance by the Directors at the meetings of the Board and its Committees are summarised in the table below:

Meeting description	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings	6	3	5	2
Jonathan Silver Chairman of the Company	6	n/a	n/a	n/a
Colin Goodall Senior Independent Non-Executive Director	5	3	5	2
Richard Raynaut Non Executive Director	6	3	5	2
Brian Fredrick Non Executive Director	5	3	5	2
Nigel McCue Chief Executive Officer	6	n/a	n/a	n/a
Peter Whitbread[1] Director of International Development	1	n/a	n/a	n/a
Scott Doak Chief Financial Officer	6	n/a	n/a	n/a

1 Peter Whitbread retired from the Board of Directors on 7 June 2010 and was eligible to attend three meetings of the Board.

The Group maintains Directors' and Officers' Liability insurance cover, the level of which is reviewed annually.

Chairman and Chief Executive

Section 1 A.2.2 of the Code states that the roles of Chairman and Chief Executive should not be exercised by the same individual and responsibilities between these roles should be clearly established, set out in writing and agreed by the Board. The Chairman on appointment should meet the independence criteria set out in Section 1 A.3.1 of the Code.

Nigel McCue is the Chief Executive Officer and Jonathan Silver is the Non-Executive Chairman. Jonathan Silver is a partner of a firm that represents the Company as one of its legal advisers. Jonathan Silver was therefore not deemed independent on appointment as the Chairman of the Company. However, the Board and the Nomination Committee, considering his performance, experience and his detailed knowledge of the Company and the Middle East, believe that, despite his lack of independence on appointment, Jonathan Silver's appointment as the Chairman of the Company is in the best interests of the Company and its shareholders.

Board balance and independence

The Board currently has seven Directors, consisting of four Non-Executive Directors and three Executive Directors. The Board considers all the Non-Executive Directors, excluding the Chairman, Jonathan Silver, to be independent in accordance with the definition of the Code and their appointment to be in the best interests of the shareholders. To that end, half of the Board excluding the Chairman (as cited above), is comprised of Non-Executive Directors determined by the Board to be independent. The Directors believe that the extensive knowledge and experience of the Non-Executive Directors combined with the focus and experience of the Executive Directors, enable the Board to lead and give direction to the Group without any imbalance that may allow any individual or Group of individuals to dominate its decision making. Any Director having a concern in this or any other regard may raise this with the Chairman or the Senior Independent Director.

Corporate Governance Report

Colin Goodall has been appointed as the Senior Independent Non-Executive Director and is available to shareholders if they have any concerns for which contact through the normal channels of Chairman and Chief Executive Officer or Chief Financial Officer cannot be resolved or for which such contact is inappropriate.

The Board considers that independence is a matter of judgment and therefore it believes that the Non-Executive Directors should be free from any business or other relationships that could materially interfere in the exercise of their independent judgment. It is the Board's policy to provide its Non-Executive Directors fair remuneration for the contribution they make with respect to the business and affairs of the Company and the responsibilities they undertake in performing their duties as Non-Executive Directors.

Appointments to the Board

All appointments to the Board are based on the recommendation of the Nomination Committee. The composition and working of the Nomination Committee are explained under "Principal Board Committees" on page 39. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company during normal business hours and will be available at the AGM 15 minutes prior to the meeting and during the meeting.

Induction and professional development

A formal induction programme is provided to new Directors on their appointment. The programme is designed to cover Companies Act requirements, dealing restrictions as outlined in the Disclosure Rules and the Model Code on Directors' dealings in securities contained in the Listing Rules of the Financial Services Authority in the United Kingdom, Board and business related matters, meetings with senior management, site visits and the opportunity to meet with major shareholders. The Company encourages Directors to refresh their knowledge and skills and to keep up to date with the latest developments in corporate governance, financial reporting, the industry and market conditions. The Company reimburses any expenses incurred in this regard.

Major shareholders have had discussions with the Chairman, the Senior Independent Non-Executive Director Colin Goodall and the Chairman of the Remuneration Committee Brian Fredrick. All the Non-Executive Directors will be available at the AGM to meet with shareholders.

The Directors are entitled to take independent professional advice, at the Company's expense, if required. Directors have access to the advice and services of the Secretary to the Board, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed, and for advising the Board, through the Chairman, on governance matters. The agenda for each Board and Committee meeting is considered by the relevant Chairman and papers for each scheduled formal Board and Committee meeting are provided beforehand. In addition, the Chairman maintains regular contact with the Executive Directors to discuss specific issues.

Directors are free to meet individual members of the senior management team and have done so during the year under review. The Board and its Committees receive briefings on legislative and regulatory developments and new accounting requirements as appropriate and believe that, given the experience and skills of its Directors, the identification of general training needs is best left to individual discretion.

No Director took independent professional advice during the year.

Performance evaluation

A performance evaluation of the Chairman, the Board, its members and the Committees was conducted through a questionnaire led interview with other members of the Board. The questionnaires included a review of the Directors' attendance at Board meetings, the Board agenda, those areas on which the Board should focus during its meetings, the effectiveness of the roles of the Chairman and Non-Executive Directors, Board procedures and administration, and the operation of the Board's Nominations, Audit and Remuneration Committees. The results were considered satisfactory by the Board.

The performance evaluation of the Board, its members and its Committees takes place on an annual basis.

Retirement and re-election

In accordance with the Company's Articles of Association, all Directors are subject to election at the first AGM after their appointment and one third, or the number nearest to one third of the Board, shall retire

from office at every AGM. Any Director in office for more than three years at the start of an AGM shall also retire. Accordingly, Nigel McCue and Colin Goodall will retire at the forthcoming AGM. Furthermore Christopher Hand, who was appointed to the Board on 26 January 2011, also stands for election. Nigel McCue and Colin Goodall, being eligible, both offer themselves for reappointment. The biographical details of Nigel McCue and Colin Goodall, the Directors proposed for re-election, and Christopher Hand, can be found on pages 30 and 31. The Chairman confirms that following formal performance evaluation, the performance of both Nigel McCue and Colin Goodall continues to be effective and that they demonstrate commitment to their roles. The Board supports the re-election of the retiring Directors, Nigel McCue and Colin Goodall, together with the election of the new Director Christopher Hand.

Directors' remuneration

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 42 to 53. The composition and working of the Remuneration Committee are explained under "Principal Board Committees" on page 40.

Principal Board Committees

The Board is assisted by the Audit, Remuneration and Nomination Committees. A summary of the activities of each committee is set out below. The Committees are constituted with appropriate written terms of reference, which are reviewed annually and are available on the Company's website. The Committee terms of references did not require any material changes further to the annual review. The minutes of meetings and/or reports from the Chairmen of the Committees are made available to the Board for its next scheduled meeting following the Committee meeting in question, or as soon as practicable thereafter.

Audit Committee

The members of the Audit Committee are Richard Raynaut, who acts as Chairman, Colin Goodall and Brian Fredrick. Others may be co-opted onto the Committee by the Committee members. The Board considers all the members of the Audit Committee who are Non-Executive Directors to be independent in character and judgment and free from any relationship or circumstance which may, or could or would be likely to, or which appears to, affect their judgment. Richard Raynaut, the Chairman of the Audit Committee, has relevant and recent financial experience having retired from his position as Chief Financial Officer in 2004. Other members of the Audit Committee also have relevant financial experience.

Meetings of the Audit Committee are held not less than three times a year. The Chief Financial Officer is invited to attend meetings, where appropriate, and the Company's auditors are regularly invited to attend meetings, including once at the planning stage before the audit and once after the audit at the reporting stage. Other Board members may also be invited to attend, although at least once a year the Audit Committee meets the Company's external auditors without management being present. The terms of reference of the Audit Committee include consideration of matters relating to the appointment of the Company's auditors and the independence of the Company's auditors, reviewing the integrity of the Company's annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance. The Audit Committee also reviews the effectiveness of the Group's system of internal audit, internal control and compliance procedures.

The Audit Committee has established and monitors the Group's policy in relation to non-audit services provided by the external auditor, with a view to ensuring objectivity, independence and cost effectiveness.

The Audit Committee also monitors the procedure to ensure that employees may raise ethical concerns in confidence. The Audit Committee has designated the Chief Financial Officer as the Compliance Officer; employees also have access to the Audit Committee if the Compliance Officer has not dealt with their concerns satisfactorily.

The Company has adopted a code of conduct covering all employees including senior executives; the compliance with this code of conduct is monitored by the Human Resource department. The code of conduct includes amongst others, the prohibition of bribery and political donations.

The Audit Committee met (including meetings by conference call) three times during the year and the attendance at its meetings is reported on page 37.

Nomination Committee

The current members of the Nomination Committee are Colin Goodall, who acts as Chairman, Richard Raynaut and Brian Fredrick. The Nomination

Corporate Governance Report

Committee's terms of reference are to periodically review the structure, size and composition, including the skills, knowledge and experience required of the Board compared to its current position and make its recommendations to the Board with regard to any changes. The Nomination Committee also considers the future composition of the Board, taking into account the challenges and opportunities facing the Company, and skills and expertise needed on the Board. The Nomination Committee also makes recommendations to the Board about the membership of the Audit and Remuneration Committees.

On 26 January 2011, Christopher Hand was appointed to the Board, based on the recommendation of the Nomination Committee.

The Nomination Committee met (including meetings by conference calls) twice during the year and the attendance at its meetings is reported on page 37.

Remuneration Committee

The members of the Remuneration Committee are Brian Fredrick, who acts as Chairman, Colin Goodall and Richard Raynaut. Brian Fredrick took over the Chairmanship of the Committee from Richard Raynaut in June 2009. The terms of reference of the Remuneration Committee provide for it to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, other Executive Directors, the Company Secretary and other such members of the executive management as it is designated to consider. The remuneration of the Non-Executive Directors is a matter for the Executive Directors. No Director or manager may be involved in any decisions as to his own remuneration.

The Remuneration Committee met (including meetings by conference call) five times during the year. The attendance at its meetings is reported on page 37.

Accountability and Audit

The Board plays a direct role in the development of the Group's internal controls and risk management systems in addition to overseeing controls and risk management procedures via the Audit Committee. However, the primary responsibility for developing and implementing internal control and risk management procedures covering strategic, commercial, operational and financial aspects of the business, lies with the management.

Financial reporting

The statement on the responsibilities of the Directors in relation to the preparation of the accounts and the Directors' evaluation of the business as a going concern is contained in the Directors' Report on pages 32 to 35.

Internal audit

The Audit Committee evaluated the performance of the internal audit function from the quality of reports received from the Group's internal auditors, feedback from management, and an assessment of work planned and undertaken. During the year the Company has undertaken Internal Control Self Assessment in the absence of internal audit. In March 2010, as per the Company's long-term plan, an independent internal audit function was established within the organisation, and Ravindra Dabir was appointed as the Vice President-Internal Audit.

Internal control

The control environment, risk management system and assurance processes, being the three key elements leading to a robust system of internal control in the Group, are described below.

There exists a clear organisational structure for the control and monitoring of the Group's businesses, including defined lines of responsibility and delegation of authority. The business follows policies and procedures which amongst other matters, include policies for the Company and its employees on health and safety, security, the environment, corporate social responsibility and areas of legal compliance.

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This has been in place for the year under review and up to the date of this annual report and is in accordance with the Revised Turnbull Guidance. The Directors are aware that the Group's risk management systems cannot completely eliminate risks and thus there can never be an absolute assurance against the Group failing to achieve its objectives or a material loss arising. In the Board's regular review of the Group's strategic plans, consideration is given to those risks which have been identified as potential impediments

to achieving the Group's strategic objectives. The Board receives regular formal updates from management on the key risks and the related controls in relation to the Group's existing business and, if appropriate, on potential new business. Management thoroughly considers risks associated with undertaking new business.

The Directors receive assurances from the following internal and external controls:

> Annual self assessment of agreed internal controls by process owners and review of such results by the internal auditors;
> Regular executive reports from management in areas covering key issues, performance, business outlook, human resources and health, safety and environment;
> Financial performance reports including analyses of significant variances regularly reported by the management;
> External audit reports, presentations and management letters from the Group's auditors;
> Reports from the internal audit function;
> Reports from internal quality audits;
> Reports from the Audit Committee.

The Board conducts an annual review of the effectiveness of the systems of internal control including financial, operational and compliance controls and risk management systems. Where material weaknesses have been identified, safeguards are implemented and monitored.

Audit Committee and Auditor

The composition and working of the Audit Committee are explained under "Principal Board committees" on page 39.

The Audit Committee has reviewed the performance of PricewaterhouseCoopers, the external auditor, who retires at the end of the AGM. PricewaterhouseCoopers LLC, being eligible, has indicated its willingness to accept appointment as successor auditor and the Audit Committee recommends its appointment. The Board concurs with the recommendation of the Audit Committee.

During the year, the external auditor PricewaterhouseCoopers, was also engaged to provide tax advice in connection with the Group's activities in Oman. The Audit Committee, in accordance with the Policy on Auditor Independence and adopted by the Group, and having considered the nature of work to be carried out believes that, whilst being cost effective, the appointment of the external auditor to provide this advice did not affect the objectivity, or the independence, of the external auditor.

Dialogue with institutional shareholders

The Chairman, the Senior Independent Non-Executive Director, the Chief Executive Officer and the Chief Financial Officer have regular meetings with major shareholders and research analysts. The Board receives regular feedback from analysts and major shareholders, compiled by the Company's brokers and financial public relations consultants, in particular, following presentations and meetings after the publication of financial results. The principal method of communicating with the majority of shareholders is via the annual report and accounts and the Company's website, which contains details of financial presentations to analysts, press releases and other information about the Group. All shareholders have the opportunity to attend the AGM. All Directors were present at the 2010 AGM and all Directors intend to be present at the 2011 AGM to answer shareholders' questions.

Constructive use of the AGM

The Board uses the AGM as an occasion to communicate with all shareholders, including private investors, who are provided with the opportunity to question the Directors. At the AGM the total number of proxy votes lodged on each resolution categorised as for, against, and votes withheld will be made available both at the meeting and subsequently on the Company's website. Each separate issue is presented as a separate resolution and the Chairmen of the Audit, Nomination and Remuneration Committees will be available to answer questions from shareholders.

The Notice of the AGM, and related papers containing the text of resolutions to be proposed at the AGM, and explanatory notes, where necessary, will be posted to the shareholders at least 20 working days before the AGM. The interim and preliminary results of the Company, along with all other press releases, are posted on the Company's website, www.lamprell.com, as soon as they are announced and are available for download.

Directors' Remuneration Report

Letter to Shareholders

Dear Shareholder,

I am pleased to present to you, on behalf of the Board and the Remuneration Committee, the Remuneration Committee's report on our Board Directors' remuneration for the financial year 2010.

We believe it is important to continue to foster shareholder confidence in the integrity of our remuneration decisions and therefore we consulted major shareholders in the autumn of 2010 regarding the remuneration packages offered to Executive Directors. The purpose of the consultations was to discuss with investors the approach the Committee has established to setting executive remuneration and its individual components which:

- is in the best interests of the Company;
- takes account of pay in the rest of the business;
- is reasonable and in line with shareholder guidelines; and
- will be applied consistently for the future.

The Remuneration Committee has continued to work with and been advised by Mercer Ltd. on Executive Remuneration related matters and consulted them for advice on market trends, incentive design questions and other relevant matters.

The terms of reference of the Remuneration Committee (the "Committee") determine the policy for the remuneration of Lamprell's Executive Directors, the Company Secretary and such other members of senior management as it is designated to consider. There have been some amendments to the terms of reference since the last Remuneration Report to clarify the role of the Committee and to address requirements arising from changes to the management structure. These changes were supported by the Board. The full terms of reference of the Committee are available on the Company's website – www.lamprell.com.

Members of the Remuneration Committee in 2010 have been Brian Fredrick, Colin Goodall and Richard Raynaut. Members have attended all Remuneration Committee meetings. In addition, the Company Chairman, Jonathan Silver and the Chief Executive Officer, Nigel McCue attended meetings by invitation but were at no stage present when elements of their own remuneration were discussed.

The following pages provide a more detailed overview over current Lamprell Executive Remuneration including changes that have been agreed upon during 2010.

Brian Fredrick
Chairman of the Remuneration Committee

Executive remuneration policy and pay principles

Our remuneration policy for Executive Directors gives consideration to remuneration policy and levels for the wider employee population and is designed to enable the recruitment, retention and motivation of Executive Directors and senior managers of the highest calibre. Our remuneration policy aims to drive business performance and maximise shareholder value through offering remuneration packages to our senior management that are appropriately balanced between base salary and variable compensation and taking into account policy and practice in the UAE.

Our key remuneration principles are:

- base salaries should be competitive and bonus should reflect both collective financial performance and personal performance. Personal performance will be determined based on stretching, quantitative and qualitative targets set individually at the beginning of each year;
- the Individual Performance Targets for the Executive Directors are recommended by the Company Chairman and approved by the Remuneration Committee. Individual Performance Targets for the Vice Presidents are recommended by the Chief Executive Officer;
- maintaining the highest possible health and safety standards is of paramount importance to the Company and its business and is the collective responsibility of all Executive Directors, Vice Presidents and Employees. Any fatality that takes place in a facility operated by the Company or any of its subsidiaries will be taken into account when considering whether to pay the whole or part of the Personal Performance Bonus; and
- performance shares are awarded in order to align the interests of senior staff and shareholders and to encourage the recipients to remain with the Company.

The Remuneration Committee has met five times during this financial year. Items covered in the meetings included:

- Executive Director benchmarking;
- investor consultation;
- variable pay;
- consideration of the ABI Guidelines;
- review of PSP awards; and
- review and agreement of financial targets for the annual bonus plan.

Directors' Remuneration Report

Main elements of remuneration

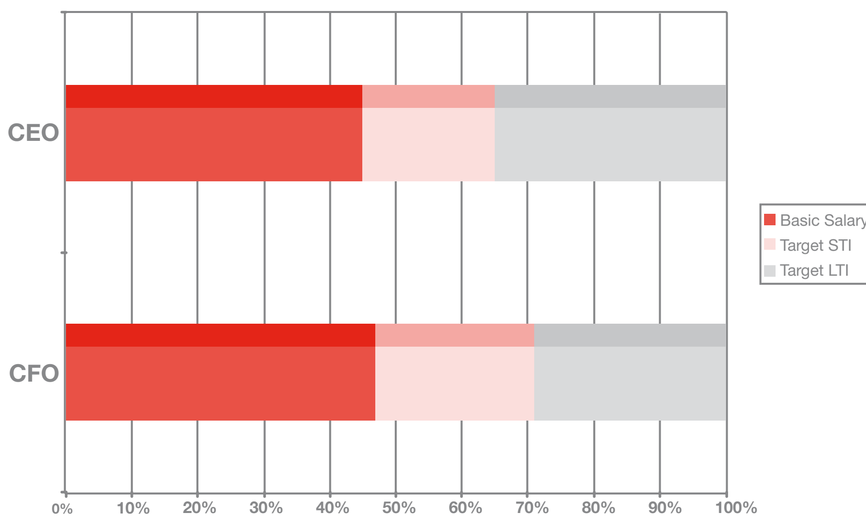
Total remuneration, in line with our remuneration policy, is made up of a balance of fixed and variable compensation. The current Executive Remuneration packages for Lamprell Executives and Senior Managers are structured as follows:

Component	Objective	Performance period	Performance measure	Delivery vehicle
Base salary	Reflect competitive market, level of responsibility and individual contribution to fulfilling role requirements	n/a	Normally reviewed annually taking into account individual performance, competitive positioning and roles and responsibilities	Monthly cash payment
Allowances	Provide additional payments in line with local market practice	n/a	n/a	Monthly cash payment
Annual bonus plan	Focus and motivate achievement of annual targets	One year	Pre-defined performance targets split between financial and individual objectives	Annual cash payment
Performance share plan	Reward executives for achievement of longer-term earnings, value creation and share price growth. Aligns executives' and shareholder interests	Three years	Growth in Earnings Per Share ("EPS") over the three year performance period	Full value shares
Retirement benefits	Offer executives a retirement benefit in line with minimum legal requirement	n/a	n/a	Lump sum cash payment following retirement based on length of service and final salary

Each element is described in further detail in separate sections below. The Committee considers all elements of the pay structure to be important in supporting the Company's remuneration policy.

Pay mix

In 2010, the remuneration mix for Lamprell Executive Directors, including long-term and short-term incentives ("LTI" and "STI" respectively), was as follows:



Benchmarking

The Committee aims to provide our Executive Directors with a remuneration package that is competitive to those offered to directors in similar positions in comparable companies and that takes into account internal company conditions. As such, in 2010, the Committee conducted a review of the pay and benefits of senior management. The findings of that review were taken into consideration and will be reflected, as appropriate, in the revised remuneration packages for 2011.

Mercer benchmarked Total Remuneration and all its components for our senior management against the remuneration levels offered to senior mangers in a peer group consisting of companies that were of an industry relevant to Lamprell's operations:

- Hargreaves Services Limited
- Wellstream Holdings Plc
- Hunting Plc
- Fortune Oil plc
- Gulfsands Petroleum Plc
- Emerald Energy Plc
- Afren Plc
- Salamander Energy Plc
- Melrose Resources Plc
- Energy XX1 (Bermuda) Limited
- JKX Oil & Gas Plc
- Premier Oil Plc
- Venture Production Plc

Elements of remuneration

Base salary

Provide a market competitive base salary that reflects the role, skills, experience and contribution of the individual

In 2009, after a review of the overall package, especially in the light of a highly volatile market in that year, the Remuneration Committee decided to adjust the CEO and CFO basic salaries to be competitive at the upper quartile of the market and limit bonus opportunities (further detail below) to bring the remuneration packages more in line with the Company's benchmarking peer group. For 2011, following the 2010 review of base salaries

Directors' Remuneration Report

against a new comparator group, the Committee has decided to continue to position base salaries at upper quartile, largely to recognise the following:
> Lamprell being larger than the majority of peer group companies, positioning pay at upper quartile to reflect the size and performance of the Company;
> the results of the benchmarking exercises undertaken by Mercer in both 2009 and 2010 had indicated anomalies between the base salaries and bonus amounts paid by the Company, and that of its comparator group, with base salaries significantly lower and variable pay through bonus significantly higher than the comparator group; and
> the Committee considers that too high a level of variable pay (i.e. pay which is "at risk") could lead to the loss of key Executive Directors in difficult economic circumstances when continuity is most important.

The table below shows the base salaries of each current Executive Director effective as at 1 April 2010, and those that will apply from 1 January 2011.

Name	Position	Base salary from 1 January 2010	Base salary from 1 January 2011	% increase
Nigel McCue	Chief Executive Officer	$785,662	$801,375	2%
Scott Doak	Chief Financial Officer	$472,153	$472,153	0%
Chris Hand[1]	Chief Operating Officer	n/a	$400,000	n/a

1 Chris Hand was appointed to the Board of Directors with effect from 26 January 2011.

Annual bonus

Focus and motivate Executive Directors to achieve annual performance targets

Performance measures

The Committee establishes performance measures and targets under the annual bonus plan for Executive Directors. Performance measures used are designed to reward the delivery of key strategic priorities for the year. In the 2010 plan year, payout of 60% of the bonus was based on financial targets, with the remaining 40% dependent on the achievement of personal objectives. In setting financial targets, the Board focuses on key annual strategic objectives. For 2010, financial metrics were based upon achievement of a net profit target, and the Committee determined that in order to achieve the maximum payout in respect of the portion of bonus dependent on the achievement of financial targets, such targets would be required to be exceeded by at least 20%.

In setting the personal objectives for the Executive Directors, the Board focuses on the Company's strategic plan and taking into account the Company's corporate values. Personal objectives cover a variety of financial and operational targets that contribute to the achievement of goals in the strategic plan and in 2010 included, amongst other matters, the introduction of a new management system, and effective risk control.

Bonus opportunities

In reviewing total remuneration arrangements, the Committee decided in 2009 to reduce the bonus opportunity for Executive Directors from a maximum of 200% of base salary to a maximum of 100% of base salary.

For 2010, there was no change to the annual maximum bonus opportunity for Executive Directors with bonus opportunities capped at a maximum of 100% of base salary. The annual bonus plan is discretionary and the Committee reserves the right to make adjustments to payouts if it believes exceptional circumstances warrant doing so. In particular, the Committee has an overriding discretion to consider, if deemed necessary, performance on environmental, social and governance issues when determining the annual bonus payments for the Executive Directors.

2010 performance
In view of the Company's financial performance during 2010 the Committee has determined that the following bonuses will be paid:

Name	Target bonus as a percentage of salary	Bonus paid as a percentage of salary
Nigel McCue	100%	100%
Scott Doak	100%	92%

Changes to the 2011 annual bonus
The Committee has reviewed the balance of performance measures under the plan and, for the 2011 plan year, payout of two thirds of the bonus will be based on financial targets, with the remaining third dependent on the achievement of personal objectives.

Long-term incentives

Reward and motivate executives for achievement of longer-term value creation and align executives and shareholder interests

Long-term Incentives are provided to eligible employees under the provisions of three different share-based plans: The Lamprell plc Executive Share-Option Plan, the Lamprell plc Retention Share Plan and the Lamprell plc 2008 Performance Share Plan. The Performance Share Plan is intended to be the Company's primary long-term incentive vehicle for Executive Directors and senior management. Executive Directors will not receive regular grants of Options under the Executive Share Option Plan or receive regular Awards under the Retention Share Plan. Awards under these two plans will only be used in exceptional circumstances. The Committee regularly reviews both the overall suitability of the Company's share-based remuneration, the level of awards made under the plan operated and the performance conditions attached to those awards. Any value earned under the Company's long-term incentive plans is not pensionable.

The Lamprell plc 2008 Performance Share Plan ("PSP")
In 2008, the PSP was agreed to be the primary long-term incentive vehicle for Executive Directors. Executive Directors and other key individuals may participate in this plan that offers awards over Lamprell shares on an annual basis. The awards will take the form of a promise to deliver free shares, but may be structured in an economically equivalent form subject to an assessment of local tax and regulatory issues. Annual awards are capped at 100% of salary (150% of salary in exceptional circumstances).

Performance shares will normally vest on the third anniversary of the date of grant of the award, subject to any applicable performance conditions having been satisfied. In addition the Committee will have an overriding discretion, in exceptional circumstances (relating to either the Company or a particular participant) to reduce the number of shares that vest (or to provide that no shares vest).

PSP performance measures
The Committee believes that the performance conditions for vesting of PSP awards should strike a balance between achieving alignment with shareholder returns and reward for delivery of strong underlying performance.

The Committee has determined that awards made in 2010 will vest subject to achieving predefined Earnings Per Share ("EPS") growth over a three-year period. The Committee considers EPS to be one of the key measures of the Company's success, particularly because it incentivises strong earnings growth over a sustained period which is in line with the generation of future shareholder value.

For the PSP awards, EPS growth is calculated using the point-to-point method. This method compares the adjusted EPS in the Company's accounts for the financial year ended prior to the date of grant with the adjusted EPS for the financial year ending three years later and calculates the total growth over the three year period.

The intended EPS targets for awards made in respect of 2010 and their associated vesting levels are illustrated in the table below (straight-line vesting applies between the hurdles). The EPS growth hurdles have been set taking into account the long-term strategic plans of the Company but also the cyclical nature of the business in which the Company operates.

Directors' Remuneration Report

EPS growth over three-year period	Percentage of award vesting
Less than 15%	0%
15%	25%
45% or more	100%

The Lamprell plc Executive Share Option Plan

The plan provides for Options over Lamprell shares to be granted at market value to eligible employees. The Options will normally vest after three years and be exercisable up to the 10th anniversary of the date of grant. No awards were made to Executive Directors under this plan in 2010.

The Lamprell plc Retention Share Plan

The plan provides for the conditional allocation of shares to eligible employees selected by the Board. Awards will normally vest and the shares be released with any accumulated dividends, if determined by the Board, two years after the date of grant. No awards were made to Executive Directors under this plan in 2010.

Retirement benefits

Provide retirement benefits in line with local market practice

Under employment law in the United Arab Emirates, the Executive Directors participate in a terminal gratuity scheme operated by the Company as a pension equivalent. This is operated as a cash payment based on the length of service and final salary of the Executive Director and the value of these cash provisions is c. 8% of base salary per annum.

Under the terms of the local UAE labour law the terminal gratuity accrues benefit to an employee as follows:

> 21 days per annum for the first five years of employment

> 30 days per annum for the remainder of their employment

The benefit accrues for incomplete years on a pro rata basis, is calculated using the current base salary and has a maximum benefit amounting to two years of the annual base salary.

Other remuneration elements

In line with market practice in the U.A.E., the Executive Directors also receive other benefits including car allowances, housing allowances, utilities for housing, school fees for children up to the age of 18 years old, annual airline tickets, medical and life insurance, petrol costs and club memberships. The cash value of the benefits received by each Executive Director in 2010 is shown in the summary annual remuneration table on page 50.

Directors' contracts

The policy set out below provides the framework for contracts for the Executive Directors. It is the Company's policy that Executive Directors should have contracts with a rolling term. Maximum notice period is one year.

Aspect of contract	Policy
Notice period (both parties)	12 calendar months
Termination payment	Up to one times annual basic salary, plus benefits but excluding bonus. The Company may elect to pay sums in lieu of notice 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
Vesting of long-term incentive scheme awards	In line with the rules of the relevant equity incentive scheme – generally pro-rated for time and performance for good leavers
Pension	Based on existing arrangements and terms of the UAE Labour Law with respect to terminal gratuity

The general policy on termination is that the Company does not make payments beyond its contractual obligations, i.e. no ex-gratia payments are made. The Committee will seek to ensure that there have been no unjustified payments for failure, and as such none of the Executive Directors' contracts provides for liquidated damages, longer periods of notice on a change of

control of the Company, or additional compensation on an Executive Director's cessation of employment.

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

Director	Date of contract	Effective date
Peter Whitbread[1]	11 September 2006	11 September 2006
Nigel McCue	16 May 2008	16 May 2008
Scott Doak	10 December 2006	1 March 2007
Chris Hand	26 January 2011	26 January 2011

1 Peter Whitbread retired 7 June 2010.

Outside appointments for Executive Directors

Outside appointments of Lamprell Directors must be approved by the Board. It is the Company's policy that remuneration earned from such appointments may be kept by the individual Executive Director. The external appointments of the Directors are noted below.

During 2010 Nigel McCue received CAD 43,687 and £90,000 and Scott Doak received £10,400 in respect of these appointments.

Director	Current Directorships
Nigel McCue	Dragon Oil Plc
	Dragon (Holdings) Limited
	Dragon Oil Limited
	Dragon Oil (Turkmenistan) Limited
	Dragon (Far East) Limited
	Dragon Oil (Nominees) Limited
	Dragon Resources (Holdings) Limited
	Tampimex Oil Trading Limited
	D & M Drilling Limited
	Frontier Holdings Limited
	Frontier Acquisition Company Limited
	Jura Energy Corporation
	Mavignon Shipping Limited
	Nemmoco Petroleum Limited
Scott Doak	Caledonian Developments (Dubai) Limited
	Caledonian Management (Dubai) Limited
	Caledonian Investments (Gulf) Limited

Non-Executive Directors' fees and contracts

The Company aims to provide Non-Executive Directors with fees that are competitive with other companies of a similar size and complexity. The Company reviewed the Non-Executive fee structure during 2008 and determined to operate a fee structure with basic fees and additional fees for chairing a committee of the Board. Non-Executive Director fees remained unchanged in 2010. The table below sets out the annual fees payable in respect of different roles and responsibilities:

Fee Category	£
Non-Executive Chairman	100,000
Senior Independent Director	75,000
Basic Member Fee	37,750
Committee Chair Fee (Excluding Nominations Committee)	7,000

Non-Executive Directors are not eligible to participate in any of the Company's incentive schemes.

The Non-Executive Directors do not have service contracts, but instead have specific letters of appointment which are available upon request. Non-Executive Directors are appointed for an initial term of three years, terminable by either the Company or the Non-Executive Director at will. In normal circumstances, and subject to performance and re-election at the Annual General Meeting, the Non-Executive Directors can be asked to serve additional three-year terms. Upon termination or resignation, Non-Executive Directors are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment.

The following table shows the date of the letter of appointment for each Non-Executive Director:

Non-Executive Director	Date of letter of appointment
Jonathan Silver	24 August 2007
Colin Goodall	14 September 2008
Richard Raynaut	7 July 2006
Brian Fredrick	14 September 2008

Directors' Remuneration Report

Audited information

Annual remuneration

The table below summarises Executive Directors' remuneration for 2010 and the prior year for comparison. No payments for loss of office were made during the year to 31 December 2010.

	Base salary/ fees	Allowances and other benefits	Annual bonus	**Total emoluments 2010**	Total emoluments 2009
Executive Directors					
Peter Whitbread[1]	$378,001	$165,024	$0	**$543,025**	$1,156,992
Nigel McCue	$785,661	$150,322	$785,661	**$1,721,644**	$498,904
Scott Doak	$472,154	$217,780	$434,381	**$1,124,315**	$476,206
Total	$1,635,816	$533,126	$1,220,042	**$3,388,983**	$2,132,102

1 Retired 7 June 2010.

	Base salary/ fees	Allowances and other benefits	Annual bonus	**Total emoluments 2010**	Total emoluments 2009
Non-Executive Directors					
Jonathan Silver	$155,969	–	–	**$155,969**	$139,208
Colin Goodall	$118,608	–	–	**$118,608**	$134,533
Richard Raynaut	$70,894	–	–	**$70,894**	$76,041
Brian Fredrick	$70,143	–	–	**$70,143**	$66,368
Total	$415,614	–	–	**$415,614**	$415,150

Pension equivalents

The table below summarises the Executive Directors' pension equivalent contributions for the current year, and the prior year for comparison.

Executive Director	**Total 2010**	Total 2009
Peter Whitbread	**$54,534**	$53,629
Nigel McCue	**$102,761**	$14,688
Scott Doak	**$59,119**	$34,930
Total	**$216,414**	$103,247

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 2010 and 2009, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. 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. Management has assumed average increment/promotion costs of 5% (2009: 4% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 5.25% (2008: 5.75%).

Directors' interests

The following interests of the Directors of the Company are shown in the table below according with the listing rules.

	At 25 March 2011	**At 31 December 2010**	At 1 January 2010
Executive Directors			
Nigel McCue	188,461	**188,461**	188,461
Scott Doak	130,725	**130,725**	108,000
Chris Hand[1]	346,533	**–**	–
Non-Executive Directors			
Jonathan Silver	12,673	**12,673**	–
Colin Goodall	6,000	**6,000**	6,000
Richard Raynaut	–	**–**	–
Brian Fredrick	–	**–**	–

1 Christopher Hand appointed 26 January 2011.

The table above does not include unvested interests held under the Company's equity-based incentive schemes. These interests are set out separately below.

Lamprell Holdings Limited Share Option Plan

Prior to the Company's listing on the Alternative Investment Market, a one-off grant of options was made to selected key employees of the Company, including the Executive Directors. These awards, in aggregate, accounted for approximately 5% of the Company's share capital, and were satisfied with shares beneficially held by Steven Lamprell. The awards to the Executive Directors vested immediately on Admission, however, carried restrictions on how the shares could be disposed over the first two years following Admission. At the date of his retirement from the Board, on 7 June 2010, Peter Whitbread held an interest in 1,550,000 shares under the Lamprell Holdings Limited Share Option Plan, all of which were granted on 10 October 2006. There are no other outstanding awards to Executive Directors under this share plan.

Share awards

On 20 May 2008 Nigel McCue and Scott Doak were granted conditional rights to receive shares at no cost. The earliest dates that the shares vest under the conditional rights are 20 May 2011 and 10 January 2010 respectively. Receipt of the shares is conditional upon them remaining in employment with the Company until that date.

The following table sets out the interests of Nigel McCue and Scott Doak in relation to their awards:

Executive Director	At 1 January 2010	Granted in year	Share price at grant	Date of vesting	Vested	At 31 December 2010
Nigel McCue	70,000	nil	£5.25	20.05.2011	nil	70,000
Scott Doak	22,275	nil	£4.36	10.01.2010	22,275	nil

The share award to Scott Doak vested on 10 January 2010. On vesting an amount of £2,688 was paid which is equal to the aggregate amount of dividends that would have been paid on the shares to which they are entitled between the grant date and vesting date.

Directors' Remuneration Report

Share option awards

On 31 March 2009 Nigel McCue and Scott Doak were granted options under the Executive Share Option Plan ("ESOP"). The earliest date that they will be entitled to receive the shares under the conditional rights are 31 March 2012. Receipt of the shares is conditional upon them remaining in employment with the Company until that date. In addition, Scott Doak was also granted an option under the ESOP on 16 May 2007.

The following table sets out the interests of Nigel McCue and Scott Doak in relation to their awards:

Executive Director	At 1 January 2010	Granted in year	Exercise price at grant	Date of vesting	Vested	**At 31 December 2010**
Nigel McCue	nil	275,000	£0.57	31.03.2012	nil	**275,000**
Scott Doak	nil	275,000	£0.57	31.03.2012	nil	**275,000**
Scott Doak	19,585	nil	£3.22	16.05.2010	19,585	**nil**

On vesting, the Options become exercisable and, subject to the rules of the Plan, will remain exercisable until 31 March 2019 (being the 10th anniversary of the grant date) for shares granted on 31 March 2009 and exercisable until 16 May 2017 (being the 10th anniversary of the grant date) for shares granted on 16 May 2007. To the extent not exercised by those dates, the grants will lapse.

Performance share plan awards

For the year ended 31 December 2009 Nigel McCue and Scott Doak were granted share awards under the PSP. The earliest date that they will be entitled to receive the shares under the conditional rights is 15 April 2013. Receipt of the shares is conditional upon them satisfying the performance conditions related to the PSP.

The following table sets out the interests of Nigel McCue and Scott Doak in relation to their awards:

Executive Director	**At 31 December 2010**	Awarded for 2010	Exercise price at grant	Date of vesting	Vested
Nigel McCue	**190,211**	–	nil	15.04.2013	nil
Scott Doak	**97,163**	–	nil	15.04.2013	nil

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. If the Company achieves outstanding earnings per share performance over the performance period then the full award will vest. If threshold levels of performance are achieved then 25% of the award will vest.

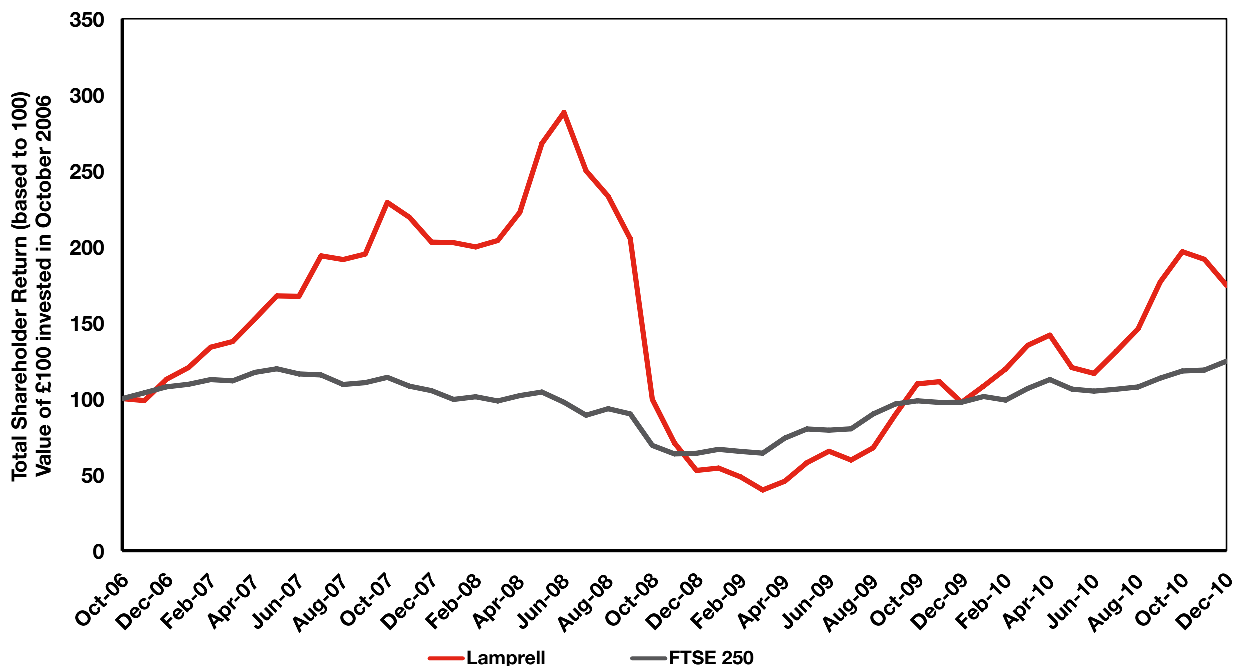
Share price information

On 31 December 2010, the closing price of a Lamprell plc ordinary share was 321.5 pence. The highest and lowest price of an ordinary share during 2010 was 390 pence and 185.2 pence respectively, based on the London Stock Exchange Daily Official List.

TSR performance graph

The graph below sets out the performance of Lamprell's Total Shareholder Return, comprising share price growth plus reinvested dividends, relative to the Total Return of the FTSE 250 Index of which the Company is a constituent. The graph covers time between the date the Company originally listed on the Alternative Investment Market (10 October 2006) to 31 December 2010. The graphs are not an indication of the likely vesting of awards granted under any of the Company's incentive plans.

Lamprell – TSR since AIM listing



Approval

This report has been approved by the Committee, on behalf of the Board, on the date shown below and signed on the Board's behalf by:

Brian Fredrick
Chairman of the Remuneration Committee
25 March 2011

Independent Auditor's Report to the Members of Lamprell plc

Report on the Financial Statements

We have audited the accompanying financial statements of Lamprell plc and its subsidiaries ("the Group") which comprise the consolidated and parent company balance sheets as of 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Isle of Man law and International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2008) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. Under the Listing Rules we are required to review the directors' statement set out on page 35 in relation to going concern. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures. We also review whether the Directors' Remuneration Report includes the six disclosures specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not.

Opinion

In our opinion:

> the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting as adopted by the European Union; and

> the parent company financial statements give a true and fair view of the financial position of the company as of 31 December 2010, and of its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Isle of Man Companies Act 1931-2004; and

> the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931-2004.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931-2004 require us to report to you if, in our opinion:

> proper books of account have not been kept by the parent company or, proper returns adequate for our audit have not been received from branches not visited by us; or

> the parent company's balance sheet is not in agreement with the books of account and returns; or

> we have not received all the information and explanations necessary for the purposes of our audit; and

> certain disclosure of directors' loans and remuneration specified by law have not been complied with.

PricewaterhouseCoopers
David Bruce Churcher
For and on behalf of PricewaterhouseCoopers
Chartered Accountants and Recognised Auditor
Douglas, Isle of Man
25 March 2011

Consolidated income statement

	Note	Year ended 31 December 2010 USD'000	2009 USD'000
Revenue	5	**503,820**	425,518
Cost of sales	7	**(424,112)**	(363,669)
Gross profit		**79,708**	61,849
Other operating income	6	**23,925**	–
Selling and distribution expenses	8	**(1,183)**	(1,322)
General and administrative expenses	10	**(32,527)**	(30,266)
Other (losses)/gains – net	13	**(1,801)**	(2,358)
Operating profit		**68,122**	27,903
Finance costs		**(5,088)**	(925)
Finance income		**2,193**	1,445
Profit for the year attributable to the equity holders of the Company		**65,227**	28,423
Earnings per share attributable to the equity holders of the Company	14		
Basic		**32.78c**	14.28c
Diluted		**32.56c**	14.20c

The notes on pages 63 to 96 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2010 USD'000	 2009 USD'000
Profit for the year		**65,227**	28,423
Other comprehensive income			
Currency translation differences		**679**	145
Cash flow hedges:			
Net losses arising on hedges recognised in other comprehensive income	31	**(304)**	–
Net amount reclassified to the income statement	31	**170**	–
Other comprehensive income for the year		**545**	145
Total comprehensive income for the year attributable to the equity holders of the Company		**65,772**	28,568

The notes on pages 63 to 96 form an integral part of these financial statements.

Consolidated balance sheet

	Note	As at 31 December 2010 USD'000	2009 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**113,304**	97,690
Intangible assets	18	**2,413**	1,310
Held-to-maturity investment	20	**6,875**	–
Derivative financial instruments	31	**2,517**	–
		125,109	99,000
Current assets			
Inventories	21	**9,458**	43,060
Trade and other receivables	22	**251,124**	193,776
Financial asset at fair value through profit or loss	23	**2,500**	2,500
Cash and bank balances	25	**210,223**	67,842
		473,305	307,178
Total assets		**598,414**	406,178
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	**18,682**	18,682
Legal reserve	27	**33**	31
Merger reserve	29	**(22,422)**	(22,422)
Translation reserve		**777**	98
Hedging reserve		**(134)**	–
Retained earnings		**287,032**	238,401
Total equity		**283,968**	234,790
Non-current liabilities			
Provision for employees' end of service benefits	30	**18,524**	15,150
Derivative financial instruments	31	**2,651**	–
		21,175	15,150
Current liabilities			
Trade and other payables	32	**293,271**	124,610
Borrowings	33	**–**	31,628
		293,271	156,238
Total liabilities		**314,446**	171,388
Total equity and liabilities		**598,414**	406,178

The financial statements on pages 55 to 62 were approved and authorised for issue by the Board of Directors on 25 March 2011 and signed on its behalf by:

Nigel McCue
Chief Executive Officer and Director

Scott Doak
Chief Financial Officer and Director

The notes on pages 63 to 96 form an integral part of these financial statements.

Company balance sheet

	Note	As at 31 December 2010 USD'000	2009 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	19	**750,018**	748,401
Current assets			
Other receivables		**17**	5
Due from related parties	24	**22,619**	19,193
Cash at bank	25	**189**	107
		22,825	19,305
Total assets		**772,843**	767,706
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	**18,682**	18,682
Other reserve	28	**708,852**	708,852
Retained earnings		**43,050**	39,018
Total equity		**770,584**	766,552
Non-current liabilities			
Provision for employees' end of service benefits	30	**808**	592
Current liabilities			
Other payables and accruals		**1,451**	562
Total liabilities		**2,259**	1,154
Total equity and liabilities		**772,843**	767,706

The financial statements on pages 55 to 62 were approved and authorised for issue by the Board of Directors on 25 March 2011 and signed on its behalf by:

Nigel McCue
Chief Executive Officer and Director

Scott Doak
Chief Financial Officer and Director

The notes on pages 63 to 96 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Note	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Hedging reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2009		18,682	29	(22,422)	(47)	–	216,012	212,254
Profit for the year		–	–	–	–	–	28,423	28,423
Other comprehensive income:								
Currency translation difference		–	–	–	145	–	–	145
Total comprehensive income for the year		–	–	–	145	–	28,423	28,568
Transactions with owners:								
Share-based payments:								
– value of services provided	9	–	–	–	–	–	1,941	1,941
Treasury shares purchased	26	–	–	–	–	–	(1,689)	(1,689)
Transfer to legal reserve	27	–	2	–	–	–	(2)	–
Dividends	12	–	–	–	–	–	(6,284)	(6,284)
Total transactions with owners		–	2	–	–	–	(6,034)	(6,032)
At 31 December 2009		18,682	31	(22,422)	98	–	238,401	234,790
Profit for the year		–	–	–	–	–	65,227	65,227
Other comprehensive income:								
Currency translation difference		–	–	–	679	–	–	679
Cash flow hedges	31	–	–	–	–	(134)	–	(134)
Total comprehensive income for the year		–	–	–	679	(134)	65,227	65,772
Transactions with owners:								
Share-based payments:								
– value of services provided	9	–	–	–	–	–	2,060	2,060
Treasury shares purchased	26	–	–	–	–	–	(3,475)	(3,475)
Transfer to legal reserve	27	–	2	–	–	–	(2)	–
Dividends	12	–	–	–	–	–	(15,179)	(15,179)
Total transactions with owners		–	2	–	–	–	(16,596)	(16,594)
At 31 December 2010		**18,682**	**33**	**(22,422)**	**777**	**(134)**	**287,032**	**283,968**

The notes on pages 63 to 96 form an integral part of these financial statements.

Company statement of changes in equity

	Note	Share capital USD'000	Other reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2009		18,682	708,852	38,989	766,523
Total comprehensive income for the year	34	–	–	6,579	6,579
Transactions with owners:					
Share-based payments:					
– value of services provided	9	–	–	319	319
– investment in subsidiaries	19	–	–	1,622	1,622
Treasury shares issued	26	–	–	(2,207)	(2,207)
Dividends	12	–	–	(6,284)	(6,284)
Total transactions with owners		–	–	(6,550)	(6,550)
At 31 December 2009		18,682	708,852	39,018	766,552
Total comprehensive income for the year	34	–	–	19,048	19,048
Transactions with owners:					
Share-based payments:					
– value of services provided	9	–	–	443	443
– investment in subsidiaries	19	–	–	1,617	1,617
Treasury shares issued	26	–	–	(1,897)	(1,897)
Dividends	12	–	–	(15,179)	(15,179)
Total transactions with owners		–	–	(15,016)	(15,016)
At 31 December 2010		**18,682**	**708,852**	**43,050**	**770,584**

The notes on pages 63 to 96 form an integral part of these financial statements.

Consolidated cash flow statement

	Note	Year ended 31 December 2010 USD'000	2009 USD'000
Operating activities			
Profit for the year		**65,227**	28,423
Adjustments for:			
Share-based payments – value of services provided	9	**2,060**	1,941
Depreciation	17	**13,694**	13,186
Amortisation of intangible assets	18	**88**	90
Loss/(profit) on disposal of property, plant and equipment	13	**562**	(33)
Gain on cancellation of a contract	6	**(23,925)**	–
Fair value loss on financial asset at fair value through profit or loss	23	**–**	2,500
Provision for slow moving and obsolete inventories	21	**682**	207
Provision for impairment of trade receivables, net	15	**202**	100
Provision for employees' end of service benefits	30	**4,446**	3,173
Finance costs		**5,088**	925
Finance income		**(2,193)**	(1,445)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**65,931**	49,067
Payment of employees' end of service benefits	30	**(1,072)**	(2,352)
Changes in working capital:			
Inventories before movement in provision	21	**32,920**	(22,761)
Trade and other receivables before movement in provision for impairment of trade receivables		**(37,908)**	95,936
Trade and other payables excluding unpaid dividend		**172,927**	(138,854)
Derivative financial instruments		**–**	50
Financial asset at fair value through profit or loss before fair value adjustment	23	**–**	(5,000)
Net cash generated from/(used in) operating activities		**232,798**	(23,914)
Investing activities			
Additions to property, plant and equipment	17	**(29,724)**	(18,483)
Proceeds from sale of property, plant and equipment		**89**	92
Additions to intangible assets	18	**(1,191)**	–
Held-to-maturity investment	20	**(6,875)**	–
Finance income		**2,193**	1,445
Deposit with original maturity of more than three months	25	**(63,599)**	(3,847)
Movement in margin deposits	25	**(300)**	695
Net cash used in investing activities		**(99,407)**	(20,098)
Financing activities			
Treasury shares purchased	26	**(3,475)**	(1,689)
Dividends paid	12	**(15,162)**	(6,259)
Borrowings – revolving facility	33	**(22,547)**	11,854
Finance costs		**(5,088)**	(925)
Net cash (used in)/generated from financing activities		**(46,272)**	2,981
Net increase/(decrease) in cash and cash equivalents		**87,119**	(41,031)
Cash and cash equivalents, beginning of the year		**49,241**	90,225
Exchange rate translation		**444**	47
Cash and cash equivalents, end of the year	25	**136,804**	49,241

The notes on pages 63 to 96 form an integral part of these financial statements.

Company cash flow statement

	Note	Year ended 31 December 2010 USD'000	2009 USD'000
Operating activities			
Profit for the year		**19,048**	6,579
Adjustments for:			
Share-based payments – value of services provided	9	**443**	319
Provision for employees' end of service benefits	30	**216**	103
Dividends received from LEL		**(15,169)**	(6,284)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**4,538**	717
Payment of employees' end of service benefits	30	**–**	(269)
Changes in working capital:			
Other receivables		**(12)**	25
Other payables and accruals		**889**	(1,928)
Due from related parties	24	**(3,426)**	3,644
Net cash generated from operating activities		**1,989**	2,189
Investing activities			
Dividends received from LEL		**15,169**	6,284
Net cash generated from investing activities		**15,169**	6,284
Financing activities			
Treasury shares issued	26	**(1,897)**	(2,207)
Dividends paid	12	**(15,179)**	(6,284)
Net cash used in financing activities		**(17,076)**	(8,491)
Net increase/(decrease) in cash and cash equivalents		**82**	(18)
Cash and cash equivalents, beginning of the year		**107**	125
Cash and cash equivalents, end of the year	25	**189**	107

The notes on pages 63 to 96 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2010

1 Legal status and activities

Lamprell plc (the "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 interests method (Note 29). 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 Fort Anne, Douglas, 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: the upgrade and refurbishment of offshore jackup rigs; fabrication; assembly and new build construction for the offshore oil and gas and renewable sector, including jackup rigs and liftboats; Floating Production, Storage and Offloading ("FPSO") and other offshore and onshore structures; and oilfield engineering services, including the upgrade and refurbishment of land rigs.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Country of incorporation
Lamprell Energy Limited	100	100	Isle of Man
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
International Inspection Services Limited ("Inspec")	100	100	Isle of Man
Cleopatra Barges Limited ("CBL")	100	100	British Virgin Islands
Lamprell plc employee benefit trust ("EBT")	100	†	Unincorporated
Jebel Ali Investments Limited ("JIL")	100	100	British Virgin Islands
Lamprell Energy FZCO ("LE FZCO")	90+	100	UAE
Lamprell Asia Limited ("LAL")	100++	100	Thailand

* The balance of 51% in each case is registered in the name of a UAE National who has assigned all the economic benefits attached to his shareholding to the Group entity. LEL has the power to exercise control over the financial and operating policies of the entities incorporated in the UAE through management agreements and accordingly, these entities are consolidated as wholly owned subsidiaries in these consolidated financial statements. The UAE National shareholders of these entities receive sponsorship fees from the Group (Note 24).

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

+ A UAE free zone company ("FZCO") is required to have a minimum of two shareholders and consequently, the balance of 10% is held by an employee of LEL in trust for the beneficial interest of the Group.

++ A Thailand registered company is required to have a minimum of three shareholders and consequently, of the total 867,000 shares, 2 shares are held by employees of the Lamprell plc Group in trust for the beneficial interest of the Group and the balance of 866,998 shares are held by LE FZCO.

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"), International Financial Reporting Interpretations Committee interpretations ("IFRIC") and the Isle of Man Companies Acts 1931-2004. In accordance with the provisions of the Isle of Man Companies Act 1982, the Company has not presented its own income statement. After making enquiries, the Directors have a reasonable

Notes to the financial statements for the year ended 31 December 2010

2 Summary of significant accounting policies (continued)
expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements. 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, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group
IFRS 2 (amendments), "Group Cash-Settled Share-Based Payment Transactions", effective from 1 January 2010. In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation.

IFRS 3 (revised), "Business Combinations", and Consequential Amendments to IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments In Associates", and IAS 31, "Interests in Joint Ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This revised IFRS is currently not applicable to the Group, as the Group has no such business combinations.

IFRS 5 (amendment), "Non-Current Assets Held For Sale and Discontinued Operations". The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

IAS 1 (amendment), "Presentation of financial statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 27 (revised), "Consolidated and Separate Financial Statements", effective 1 July 2010. The revision requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill on acquisitions from non-controlling interests or gains and losses on disposals to non-controlling interests. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The revision is currently not applicable to the Group, as there are no non-controlling interests.

IAS 36 (amendment), "Impairment of Assets", effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, "Operating Segments" (that is, before the aggregation of segments with similar economic characteristics).

2 Summary of significant accounting policies (continued)

IAS 38 (amendment), "Intangible Assets", effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible assets acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IFRIC 9, "Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement", effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the "Fair value through profit or loss" category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group.

IFRIC 17, "Distribution of Non-Cash Assets to Owners" (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18, "Transfers of Assets from Customers", effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9, "Financial Instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group will apply IFRS 9 from 1 January 2013, subject to EU endorsement.

IAS 24 (revised), "Related Party Disclosures", issued in November 2009. It supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures. The Group will apply IAS 24 (revised) from 1 January 2011, subject to EU endorsement.

Notes to the financial statements for the year ended 31 December 2010

2 Summary of significant accounting policies (continued)

"Classification of Rights Issues" (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The Group will apply the amended standard from 1 January 2011.

"Prepayments of a Minimum Funding Requirement" (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011 but it is not expected that these amendments will have any impact on the Group or the parent entity's financial statements.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Group or the parent entity's financial statements. The Group will apply IFRIC 19 subject to EU endorsement.

2.2 Revenue recognition

(a) Contract revenue

Contract revenue is recognised under the percentage-of-completion method. When the outcome of the contract can be reliably estimated, revenue is recognised by reference to the proportion that accumulated costs up to the year end bear to the estimated total costs of the contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the year end which are considered recoverable.

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

A claim is recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably.

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 the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under trade and other receivables as amounts recoverable on contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under trade and other payables as amounts due to customers on contracts.

In determining contract costs incurred up to the year end, any amounts incurred including advances paid to suppliers and advance billings received from sub-contractors relating to future activity on a contract are excluded and are presented as contract work-in-progress.

2 Summary of significant accounting policies (continued)

(b) Inspection services
Revenue from inspection services is recognised when the services have been rendered; the customer has accepted the service and the collectability of the related receivable are reasonably assured.

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

2.3 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

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 values of the assets transferred, the liabilities incurred 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. Acquisition-related costs are expensed as incurred. 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 acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

The excess of the consideration transferred, 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 for accounting for business combinations involving entities under common control.

Under the uniting of interests method, there is no requirement to fair value the assets and liabilities of the acquired entities and hence no goodwill is created 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.

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 only to the extent that the Company receives distributions from accumulated profits of the investee company arising after the date of acquisition. Distributions received in excess of such profit i.e. from pre-acquisition reserves are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

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 and its currency the UAE Dirham, which is pegged to the US Dollar, is the functional currency of all the entities in the Group (except LAL whose functional currency is the Thailand Baht and the EBT whose functional currency is the British Pound). The consolidated and parent company financial statements are presented in US Dollars.

Notes to the financial statements for the year ended 31 December 2010

2 Summary of significant accounting policies (continued)

(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.

(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 as a separate component of equity.

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	10–25
Operating equipment	3–10
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 2.21).

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

2.7 Intangible assets
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 (17 years).

2 Summary of significant accounting policies (continued)

Work-in-progress is stated at cost. When commissioned, work-in-progress is transferred to software and amortised in accordance with Group policies.

2.8 Inventories

Inventories comprise raw materials and consumables which are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average basis and comprises direct purchase 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 for construction contracts, rig refurbishment and inspection services performed. 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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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.

2.12 Employee benefits

(a) Provision for staff benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the balance sheet date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date. The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

Actuarial gains and losses arising from changes in assumptions are charged or credited in the consolidated income statement in the period in which they arise.

Notes to the financial statements for the year ended 31 December 2010

2 Summary of significant accounting policies (continued)

(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 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 (i.e. parent) is recognised as an expense with a corresponding credit to Equity.

2.13 Leases

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

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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 comprehensive income over the period of the borrowings using the effective interest method. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense.

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 accessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.18 Taxation

The Company, which is incorporated in the Isle of Man is taxable at 0% in the Isle of Man.

The Group is subject to income tax in respect of its operations through LAL in Thailand which was incorporated in May 2009. However, LAL has been granted the “Investment promotion certificate” (effective 25 November 2009) which exempts LAL from Corporate Income Tax on net profit derived from the promoted activity for a period of eight years.

The Group is not currently subject to income tax in respect of its operations carried out in the UAE.

2 Summary of significant accounting policies (continued)

2.19 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held-to-maturity. Currently, the Group does not have any available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement within “other (losses)/gains – net” in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group’s loans and receivables comprise trade receivables (Note 2.9), other receivables (excluding prepayments) and cash and cash equivalents (Note 2.14) in the Group balance sheet and amounts due from related parties (Note 24) and cash at bank (Note 25) in the Company balance sheet.

Loans and receivables are initially measured at fair value plus transaction costs and subsequently carried at amortised cost less provision for impairment. The amortised cost is computed using the effective interest method.

Loans and receivables are derecognised when the rights to receive cash flows from the counterparty have expired or have been transferred and the Group has transferred substantially all risks and rewards of the ownership.

(c) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.20 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 remeasured 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).

Notes to the financial statements for the year ended 31 December 2010

2 Summary of significant accounting policies (continued)

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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 31. 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 (losses)/gains-net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged 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 (losses)/gains-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.

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 (losses)/gains-net".

2.21 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 cost 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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Any material impairment loss is recognised in the consolidated income statement and separately disclosed.

2.22 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.

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, 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 commitments in Euro with certain suppliers. To manage the foreign exchange risk exposure arising from future commercial transactions and recognised liabilities, the Group uses forward exchange contracts (Note 31).

(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 2010, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 527,000 (2009: USD 293,000).

The Group does not have any long-term borrowings and does not have significant interest rate risk exposure on bank overdrafts and revolving term facilities.

(c) Credit risk

The Group's exposure to credit risk is detailed in Notes 16, 20, 22, 23, 25 and 31. The Group has a policy for 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, held-to-maturity investment, investment carried at fair value through profit or loss and trade receivables. 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 a minimum rating of "A" are accepted. The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors.

At 31 December 2010, the Group had a significant concentration of credit risk with nine of its largest customer balances accounting for 72% (2009: 82%) of trade receivables outstanding at that date. Management believes that this concentration of credit risk is mitigated as the Group has long-standing relationships with these customers.

The table below shows the rating and balance of the 13 major counterparties at the balance sheet date.

	2010		2009	
Counterparty	External rating+	USD'000	External rating+	USD'000
Bank A*	AA	71,848	AA+	5,281
Bank B	A+	65,813	A+	5,153
Bank C	A+	43,213	A+	734
Bank D	A+	34,847	A	56,283
		215,721		67,451

* Includes USD 6.9 million (2009: Nil) with respect to held-to-maturity investment (Note 20).
\+ Based on Standard & Poor's/Fitch long-term ratings.

Notes to the financial statements for the year ended 31 December 2010

3 Financial risk management (continued)

	2010		2009	
	Internal rating++	USD'000	Internal rating++	USD'000
Customer 1	Group B	11,455	Group A	60,000
Customer 2	Group A	6,669	Group A	11,535
Customer 3	Group B	5,803	Group C	6,247
Customer 4	Group C	4,340	Group B	5,189
Customer 5	Group B	3,354	Group C	3,459
Customer 6	Group A	2,376	Group B	3,330
Customer 7	Group C	1,973	Group A	3,283
Customer 8	Group B	1,755	Group B	3,078
Customer 9	Group C	1,713	Group C	2,773
		39,438		98,894

++ Refer to Note 16 for the description of internal ratings.

The counterparties in 2010 are not necessarily the same counterparties in 2009.

Management does not expect any losses from non-performance by these counterparties, except for one customer with a balance of USD 2.8 million at 31 December 2010 and 31 December 2009 which has been fully provided for.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business and through progress billings, the Group maintains adequate bank balances to fund its operations.

Management monitors the forecast of the Group's liquidity position on the basis of expected cash flow.

The Group's liquidity risk on derivative financial instruments is disclosed in Note 31.

The Group is currently financed from Shareholders' equity. The table below 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 one year USD'000	One to two years USD'000
31 December 2010				
Trade and other payables (excluding due to customers on contracts, advances received for contract work and dividend payable) (Note 32)	**149,677**	**149,677**	**149,677**	**–**
31 December 2009				
Trade and other payables (excluding due to customers on contracts, advances received for contract work and dividend payable) (Note 32)	104,393	104,393	104,393	–
Borrowings (Note 33)	31,628	31,770	31,628	–
	136,021	136,163	136,021	–

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 benefits for other stakeholders and to maintain an optimal capital structure. Total capital for the Group and the Company is calculated as "total equity" as shown in the consolidated balance sheet and in the Company balance sheet respectively.

3 Financial risk management (continued)

Presently, the Group has a dividend policy which takes into account the Group's capital requirements, cash flows and earnings.

At the balance sheet date, the Group has no net debt and was 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value through profit or loss (Note 23)	–	–	2,500	2,500
Derivatives used for hedging (Note 31)	–	2,517	–	2,517
Total assets	–	2,517	2,500	5,017
Liabilities				
Derivatives used for hedging (Note 31)	–	2,651	–	2,651
Total liabilities	–	2,651	–	2,651

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value through profit or loss (Note 23)	–	–	2,500	2,500

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 estimates and judgements

Estimates and judgements 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.

Notes to the financial statements for the year ended 31 December 2010

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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:

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its contract revenue. Use of the percentage-of-completion 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 accounting policy set out in Note 2.2. As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each period end. The application of a 10% sensitivity to management estimates of the total costs to completion of all outstanding projects at the year end would result in the revenue and profit increasing by USD 12.1 million (2009: USD 4.7 million) if the total costs to completion are decreased by 10% and the revenue and profit decreasing by USD 10.7 million (2009: USD 4.4 million) if the total costs to completion are increased by 10%.

Employees' end of service benefits

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 in such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market either for corporate or 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 5.25% (2009: 5.75%). If the discount rate used was to differ by 0.5 points from management's estimates, the carrying amount of the employee's end of the service benefits provision at the balance sheet date would be an estimated USD 0.6 million (2009: USD 0.5 million) lower or USD 0.7 million (2009: USD 0.5 million) higher.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors who make strategic decisions. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business mainly on the basis of the facilities from where the services are rendered. Management considers the performance of the business from Sharjah ("SHJ"), Hamriyah ("HAM"), Jebel Ali ("JBA") and Thailand ("THL") in addition to the performance of Oil Field Engineering ("OFE") and International Inspection Services Limited ("Inspec").

SHJ, HAM, JBA and OFE meet all the aggregation criteria required by IFRS 8 and are reported as a single segment ("Segment A"). Services provided from Inspec and THL do not meet the quantitative thresholds required by IFRS 8, and the results of these operations are included in the "all other segments" column.

The reportable operating segments derive their revenue from the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, including FPSO and other offshore and onshore structures, oilfield engineering services, including the upgrade and refurbishment of land rigs.

Inspec derives its revenue from various services such as non-destructive pipeline testing, ultrasonic testing and heat treatment. THL derives its revenue from the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector and other offshore structures.

5 Segment information (continued)

	Segment A USD'000	All other segments USD'000	Total USD'000
Year ended 31 December 2010			
Total segment revenue	**490,349**	**15,947**	**506,296**
Inter-segment revenue	**–**	**(2,476)**	**(2,476)**
Revenue from external customers	**490,349**	**13,471**	**503,820**
Gross operating profit	**93,643**	**2,176**	**95,819**
Year ended 31 December 2009			
Total segment revenue	406,425	20,232	426,657
Inter-segment revenue	–	(1,139)	(1,139)
Revenue from external customers	406,425	19,093	425,518
Gross operating profit	75,973	5,927	81,900

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.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The staff, equipment and certain subcontract 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 reconciliation of the gross profit is provided as follows:

	2010 USD'000	2009 USD'000
Gross operating profit for the reportable segments as reported to the Executive Directors	**93,643**	75,973
Gross operating profit for other segments as reported to the Executive Directors	**2,176**	5,927
Unallocated:		
Finance cost absorbed in reportable segments	**3,850**	–
Under-absorbed employee and equipment costs	**(5,768)**	(9,913)
Repairs and maintenance	**(7,844)**	(4,494)
Yard rent	**(3,129)**	(3,343)
Others	**(3,220)**	(2,301)
Gross profit	**79,708**	61,849

	2010 USD'000	2009 USD'000
Gross profit	**79,708**	61,849
Other operating income (Note 6)	**23,925**	–
Selling and distribution expenses (Note 8)	**(1,183)**	(1,322)
General and administrative expenses (Note 10)	**(32,527)**	(30,266)
Other (losses)/gains – net (Note 13)	**(1,801)**	(2,358)
Finance costs	**(5,088)**	(925)
Finance income	**2,193**	1,445
Profit for the year	**65,227**	28,423

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.

Notes to the financial statements for the year ended 31 December 2010

5 Segment information (continued)

The breakdown of revenue from all the services is as follows:

	2010 USD'000	2009 USD'000
New build activities	**206,589**	226,461
Upgrade and refurbishment activities	**163,598**	146,235
Offshore construction	**117,120**	37,921
Others	**16,513**	14,901
	503,820	425,518

The entity is domiciled in the UAE. The total revenue from external customers in respect of services performed in the UAE is USD 495 million (2009: USD 404 million), and the total revenue from external customers for work performed in other countries is USD 9 million (2009: USD 22 million).

Certain customers individually accounted for greater than 10% of the Group's revenue, shown in the table below:

	2010 USD'000	2009 USD'000
External customer A	**110,316**	118,128
External customer B	**76,627**	63,207
External customer C	**50,493**	47,196
	237,436	228,531

The revenue from these customers is attributable to Segment A. The above customers in 2010 are not necessarily the same customers in 2009.

6 Other operating income

Other operating income of USD 23.9 million represents a gain on the cancellation of a contract with a customer during the year.

7 Cost of sales

	2010 USD'000	2009 USD'000
Materials and related costs	**152,652**	125,257
Staff costs (Note 11)	**86,950**	92,719
Sub-contract costs	**129,296**	91,460
Sub-contract labour	**10,666**	13,375
Depreciation (Note 17)	**10,160**	9,238
Equipment hire	**6,361**	6,882
Repairs and maintenance	**8,323**	5,085
Yard rent	**3,204**	3,425
Others	**16,500**	16,228
	424,112	363,669

8 Selling and distribution expenses

	2010 USD'000	2009 USD'000
Advertisement and marketing	**524**	592
Entertainment	**112**	171
Travel	**376**	376
Others	**171**	183
	1,183	1,322

9 Share-based payments

Group

	2010 USD'000	2009 USD'000
Proportionate amount of share-based charge for the year:		
– relating to free share plan	**1,592**	1,791
– relating to executive share option plan	**92**	150
– relating to performance share plan	**376**	–
	2,060	1,941

Company

	2010 USD'000	2009 USD'000
Proportionate amount of share-based charge for the year:		
– relating to free share plan	**155**	246
– relating to executive share option plan	**73**	73
– relating to performance share plan	**215**	–
	443	319

Free share plan

The Company awarded shares to selected Directors, key management personnel and employees under the free share plan that provides an entitlement to receive these shares at no cost. These free shares are conditional on the Directors/key management personnel/employee completing a specified period of service (the vesting period). The award does not have any performance conditions and does not entitle participants to dividend equivalents during the vesting period (except for 92,725 shares awarded to two Directors during 2008 which entitles them to dividend equivalents during the vesting period). 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	Expected withdrawal rate
2008				
10 January 2008	99,337	24 months	£4.00	5%
7 April 2008	25,301	24 months	£3.96	5%
27 April 2008	123,620	18 months	£4.28	5%
20 May 2008	70,000	36 months	£5.08	5%
	318,258			
2009				
22 January 2009	600,000	24 months	£0.89	5%
15 April 2009	763,052	18 months	£0.94	5%
	1,363,052			
2010				
21 March 2010	299,000	18 months	£2.49	5%

During 2009, 18,241 shares which vested immediately were issued to an employee following his resignation as he was considered a "good leaver".

A charge of USD 1,592,000 (2009: USD 1,791,000) 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 155,000 (2009: USD 246,000).

Notes to the financial statements for the year ended 31 December 2010

9 Share-based payments (continued)

The Group has no legal or constructive obligation to settle the free 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 2009	870,717
Shares gifted under free share plan	1,381,293
Shares relating to dividend entitlement on deferred share award	24,385
Shares vested and issued out of treasury shares (Note 26)	(724,251)
Shares lapsed during the year due to non-satisfaction of vesting conditions	(34,996)
Shares expected to vest in future periods at 31 December 2009	1,517,148
Shares gifted under free share plan	299,000
Shares vested and issued out of treasury shares (Note 26)	(781,574)
Shares lapsed during the year due to non-satisfaction of vesting conditions	(92,574)
Shares expected to vest in future periods at 31 December 2010	942,000

The shares are expected to vest as follows:

	Number of shares	
Year	**2010**	2009
2010	**–**	847,148
2011	**942,000**	670,000
	942,000	1,517,148

Executive share option plan

Share options are granted by the Company to certain employees under the executive share option plan. This option plan does not entitle the employees to dividends. These options are conditional on the employee completing three years of service (the vesting period) and hence the options are exercisable starting three years from the grant date and have a contracted option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The movement in the number of share options outstanding and their related weighted average exercise price is as follows:

	Average exercise price in £ per share	Options	Vesting date	Expiry date
At 1 January 2009	3.22	105,369	16 May 2010	16 May 2017
Granted in 2009	0.57	550,000	31 March 2012	31 March 2019
Forfeited in 2009	3.22	(19,585)		
At 31 December 2009 and 2010	0.93	635,784		

The weighted average fair value of options granted during 2009 determined using a binomial valuation model was £0.28 per option. The significant inputs into the model were an average share price for a period of one year immediately preceding the grant date of £2.91, an exercise price of £0.57, volatility of 50%, dividend yield of 3.31%, an expected option term of 10 years, an annual risk-free interest rate of 3.28% and a withdrawal rate of 5% per annum. The risk free rate is derived from the yield on UK Government Bonds as detailed by the Bank of England, using a 10-year maturity in line with the life of the option. The volatility assumption is based on an analysis of the historic daily share price volatility of the Company since its listing date, capped at 50%. A charge of USD 92,000 (2009: USD 150,000) 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 73,000 (2009: USD 73,000).

9 Share-based payments (continued)

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 related to the growth in the Group's earnings per share. The award does not entitle participants to dividend equivalents during the vesting period. 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	Expected withdrawal rate
2010				
15 April 2010	502,572	36 months	£2.57	5%

Accordingly, a charge of USD 376,000 (2009: Nil) 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 215,000 million (2009: Nil).

The Group has no legal or constructive obligation to settle the free share awards in cash.

10 General and administrative expenses

	2010 USD'000	2009 USD'000
Staff costs (Note 11)	**20,224**	17,918
Utilities and communication	**2,356**	2,409
Depreciation (Note 17)	**3,534**	3,948
Others	**6,413**	5,991
	32,527	30,266

During the year, the Group incurred total expenditure of USD 1.4 million for the closure of the LAL operations in Thailand. General and administrative expenses include USD 0.8 million and USD 0.6 million is included in "other (losses)/gains – net" due to the loss on disposal of property, plant and equipment (Note 13).

11 Staff costs

	2010 USD'000	2009 USD'000
Wages and salaries	**61,077**	59,647
Employees' end of service benefits (Note 30)	**4,446**	3,173
Share-based payments – value of services provided (Note 9)	**2,060**	1,941
Other benefits	**39,591**	45,876
	107,174	110,637
Staff costs are included in:		
Cost of sales (Note 7)	**86,950**	92,719
General and administrative expenses (Note 10)	**20,224**	17,918
	107,174	110,637
Number of employees at 31 December	**4,476**	4,515

Notes to the financial statements for the year ended 31 December 2010

11 Staff costs (continued)

Directors' remuneration comprises:

	Salary 2010 USD'000	Fees 2010 USD'000	Allowances and benefits 2010 USD'000	Bonus 2010 USD'000	Share-based payments – value of services provided 2010 USD'000	Post employ-ment benefits 2010 USD'000	Total 2010 USD'000	Total 2009 USD'000
Executive Directors								
Nigel McCue*	**786**	**–**	**150**	**786**	**374**	**103**	**2,199**	717
Peter Whitbread**	**378**	**–**	**165**	**–**	**–**	**54**	**597**	1,211
Scott Doak	**472**	**–**	**218**	**434**	**112**	**59**	**1,295**	626
David Moran***	**–**	**–**	**–**	**–**	**–**	**–**	**–**	34
Non-Executive Directors								
Jonathan Silver^	**–**	**156**	**–**	**–**	**–**	**–**	**156**	139
Colin Goodall	**–**	**119**	**–**	**–**	**–**	**–**	**119**	135
Richard Raynaut	**–**	**71**	**–**	**–**	**–**	**–**	**71**	76
Brian Fredrick^^	**–**	**70**	**–**	**–**	**–**	**–**	**70**	66
Peter Birch	**–**	**–**	**–**	**–**	**–**	**–**	**–**	12
	1,636	**416**	**533**	**1,220**	**486**	**216**	**4,507**	3,016

The emoluments of the highest paid Director were USD 2.2 million (2009: USD 1.2 million) and these principally comprised salary, benefits, bonus and share-based payments.

* Appointed as Chief Executive Officer on 1 May 2009 and served as Chief Operating Officer with effect from 16 May 2008 following resignation as a Non-Executive Director.
** Appointed as Director of International Development on 1 May 2009 and served as Chief Executive Officer until 1 May 2009 and resigned with effect from 7 June 2010.
*** Appointed as a Director on 4 July 2006 and served as Chief Operating Officer until 15 May 2009 and resigned with effect from 1 January 2009.
^ Appointed as Chairman of the Company on 27 March 2009 and has served as a Non-Executive Director since 24 August 2007.
^^ Appointed as a Non-Executive Director on 1 January 2009.

12 Dividends

During the year (on 26 March 2010 and 20 August 2010), the Board of Directors of the Company approved dividends of USD 15.2 million comprising USD 7.6 million (US cents 3.8 per share) relating to 2009 and an interim dividend of USD 7.6 million (US cents 3.8 per share) for 2010. At 31 December 2010, unpaid dividends amounted to USD 51,000 (Note 32).

During 2009, (on 27 March 2009), the Board of Directors of the Company approved dividends of USD 6.3 million (US cents 3.15 per share) relating to 2008. At 31 December 2009, the unpaid dividend amounted to USD 34,000 (Note 32).

13 Other (losses)/gains – net

	2010 USD'000	2009 USD'000
Fair value loss on financial asset at fair value through profit or loss (Note 23)	**–**	(2,500)
(Loss)/profit on disposal of property, plant and equipment	**(562)**	33
Others	**(1,239)**	109
	(1,801)	(2,358)

14 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit 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 earnings 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 free share awards, options under executive share option plan and performance share plan, a calculation is done 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.

	2010 USD'000	2009 USD'000
The calculations of earnings per share are based on the following profit and numbers of shares:		
Profit for the year	**65,227**	28,423
Weighted average number of shares for basic earnings per share	**198,987,337**	199,105,090
Adjustments for:		
Assumed exercise of free share awards	**763,842**	843,477
Assumed vesting of executive share options	**411,526**	199,030
Assumed vesting of performance share plan	**140,844**	–
Weighted average number of shares for diluted earnings per share	**200,303,549**	200,147,597
Earnings per share:		
Basic	**32.78c**	14.28c
Diluted	**32.56c**	14.20c

15 Operating profit

Operating profit is stated after charging:

	2010 USD'000	2009 USD'000
Depreciation (Note 17)	**13,694**	13,186
Auditor's remuneration – audit services	**345**	419
Auditor's remuneration – taxation and other services	**3**	21
Operating lease rentals – land and buildings	**15,482**	18,849
Gain on cancellation of a contract (Note 6)	**23,925**	–
Provision for impairment of trade receivables (Note 22)	**202**	101
Release of provision for impairment of trade receivables (Note 22)	**–**	(1)
	202	100

Notes to the financial statements for the year ended 31 December 2010

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

	Loans and receivables USD'000	Assets at fair value through profit or loss USD'000	Held-to-maturity investment USD'000	Derivatives used for hedging USD'000	Total USD'000
31 December 2010					
Derivative financial instruments (Note 31)	**–**	**–**	**–**	**2,517**	**2,517**
Held-to-maturity investment (Note 20)	**–**	**–**	**6,875**	**–**	**6,875**
Financial asset at fair value through profit or loss (Note 23)	**–**	**2,500**	**–**	**–**	**2,500**
Trade receivables – net of provision (Note 22)	**51,669**	**–**	**–**	**–**	**51,669**
Other receivables excluding prepayments	**5,660**	**–**	**–**	**–**	**5,660**
Cash and bank balances (Note 25)	**210,223**	**–**	**–**	**–**	**210,223**
Total	**267,552**	**2,500**	**6,875**	**2,517**	**279,444**
31 December 2009					
Financial asset at fair value through profit or loss (Note 23)	–	2,500	–	–	2,500
Trade receivables – net of provision (Note 22)	118,204	–	–	–	118,204
Other receivables excluding prepayments	4,193	–	–	–	4,193
Cash and bank balances (Note 25)	67,842	–	–	–	67,842
Total	190,239	2,500	–	–	192,739

Liabilities as per balance sheet

	Derivatives used for hedging	Liabilities at amortised cost	Total
31 December 2010			
Derivative financial instruments (Note 31)	**2,651**	**–**	**2,651**
Trade payables (Note 32)	**–**	**57,791**	**57,791**
Other payables and accruals (Note 32)	**–**	**91,886**	**91,886**
Total	**2,651**	**149,677**	**152,328**
31 December 2009			
Trade payables (Note 32)	–	53,035	53,035
Other payables and accruals (Note 32)	–	51,358	51,358
Borrowings (Note 33)	–	31,628	31,628
Total	–	136,021	136,021

Company

	Loans and receivables	
	2010 USD'000	2009 USD'000
Cash at bank	**189**	107
Due from related parties (Note 24)	**22,619**	19,193
Total	**22,808**	19,300

16 Financial instruments by category (continued)

	Liabilities at amortised cost	
	2010 USD'000	2009 USD'000
Other payables and accruals	**1,451**	562

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:

	2010 USD'000	2009 USD'000
Trade receivables		
Group A	**7,681**	79,547
Group B	**15,933**	10,557
Group C	**2,959**	4,621
	26,573	94,725
Derivative financial assets		
Group A	**2,517**	–

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.

Derivative financial instruments

The credit quality of derivative financial instruments is disclosed in Note 31.

None of the financial assets that is fully performing has been renegotiated in the last year.

	2010 USD'000	2009 USD'000
Cash at bank and short-term bank deposits		
Standard & Poor/Fitch ratings		
AA+	**–**	5,281
AA	**64,973**	–
AA–	**109**	41
A+	**144,854**	5,887
A	**–**	56,283
A–	**122**	–
BBB+	**15**	–
BBB	**–**	208
	210,073	67,700
Cash in hand	**150**	142
Cash at bank and in hand	**210,223**	67,842
Held-to-maturity investment		
AA	**6,875**	–

Company

	2010 USD'000	2009 USD'000
Due from related parties	**22,619**	19,193

Notes to the financial statements for the year ended 31 December 2010

16 Financial instruments by category (continued)

Due from related parties is neither past due nor impaired.

	2010 USD'000	2009 USD'000
Cash at bank		
Standard & Poor ratings		
A+	**189**	–
A	**–**	107
	189	107

17 Property, plant and equipment

	Buildings and infrastructure USD'000	Operating equipment USD'000	Fixtures and office equipment USD'000	Motor vehicles USD'000	Capital work-in-progress USD'000	Total USD'000
Cost						
At 1 January 2009	19,338	67,711	8,836	3,840	27,731	127,456
Additions	501	2,872	929	233	13,948	18,483
Exchange differences	6	27	25	–	41	99
Transfers	1,334	1,796	56	–	(3,186)	–
Disposals	–	(677)	(126)	(145)	–	(948)
At 31 December 2009	21,179	71,729	9,720	3,928	38,534	145,090
Additions	6,348	8,598	486	406	13,886	29,724
Exchange differences	94	172	42	–	–	308
Transfers	22,383	–	130	1	(22,514)	–
Disposals	(750)	(276)	–	(136)	(11)	(1,173)
At 31 December 2010	**49,254**	**80,223**	**10,378**	**4,199**	**29,895**	**173,949**
Depreciation						
At 1 January 2009	6,385	22,154	5,105	1,458	–	35,102
Charge for the year	1,499	9,244	1,758	685	–	13,186
Exchange differences	–	1	–	–	–	1
Disposals	–	(633)	(126)	(130)	–	(889)
At 31 December 2009	7,884	30,766	6,737	2,013	–	47,400
Charge for the year	2,404	9,264	1,287	739	–	13,694
Exchange differences	12	45	16	–	–	73
Disposals	(159)	(247)	–	(116)	–	(522)
At 31 December 2010	**10,141**	**39,828**	**8,040**	**2,636**	**–**	**60,645**
Net book amount						
At 31 December 2010	**39,113**	**40,395**	**2,338**	**1,563**	**29,895**	**113,304**
At 31 December 2009	13,295	40,963	2,983	1,915	38,534	97,690

Buildings have been constructed on land leased, on a renewable basis, from various Government Authorities. The remaining lives of the leases range between three to 23 years. The Group has renewed these land leases, upon expiry, in the past and its present intention is to continue to use the land and renew these leases for the foreseeable future.

A depreciation expense of USD 10,160,000 (2009: USD 9,238,000) has been charged to cost of sales and USD 3,534,000 (2009: USD 3,948,000) to general and administrative expenses – others (Notes 7 and 10).

18 Intangible assets

	Leasehold right USD'000	Work-in-progress USD'000	Total USD'000
Cost			
At 1 January 2009 and 31 December 2009	1,534	–	1,534
Additions	–	1,191	1,191
At 31 December 2010	**1,534**	**1,191**	**2,725**
Amortisation			
At 1 January 2009	134	–	134
Charge for the year	90	–	90
At 31 December 2009	224	–	224
Charge for the year	88	–	88
At 31 December 2010	**312**	**–**	**312**
Net book amount			
At 31 December 2010	**1,222**	**1,191**	**2,413**
At 31 December 2009	1,310	–	1,310

Leasehold right represents a favourable operating right acquired upon the acquisition of JIL and LE FZCO in 2008. The value of the intangible assets have been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease term (17 years).

Work-in-progress represents the cost incurred towards the implementation of an Enterprise Resource Planning software.

19 Investment in subsidiaries

	2010 USD'000	2009 USD'000
Balance at 1 January	**748,401**	746,779
Effect of share-based payments to employees of subsidiaries under IFRIC 11	**1,617**	1,622
	750,018	748,401

The Company granted free shares/share options to employees of its subsidiaries under various plans (Note 9). These shares and options have a vesting period of 18 to 36 months. Accordingly, the proportionate share-based charge for the year of USD 1.6 million (2009: USD 1.6 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to Retained earnings.

20 Held-to-maturity investment

	2010 USD'000	2009 USD'000
Deposit with a fixed interest rate of 1.75% and a maturity date of 3 October 2012	**6,875**	–

The held-to-maturity investment represents a structured deposit with 100% capital protection, a guaranteed return of 1.75% and a variable return, which is linked to the performance of an underlying equity basket, which consists of 10 equally weighted shares. The capital protected status of the investment is valid only if the investment is held to maturity. The variable component is considered as an embedded derivative, the fair value of which at the balance sheet date was Nil.

There is no provision for impairment against the held-to-maturity investment.

At 31 December 2010, the fair value of the held-to-maturity investment is USD 6.75 million (2009: Nil).

Notes to the financial statements for the year ended 31 December 2010

20 Held-to-maturity investment (continued)

The held-to-maturity investment is denominated in UAE Dirhams.

The maximum exposure to credit risk at the reporting date is the carrying amount of the held-to-maturity investment.

The held-to-maturity investment is held by the bank as a lien against a guarantee issued by the bank in the ordinary course of business.

21 Inventories

	2010 USD'000	2009 USD'000
Raw materials and consumables	**10,889**	43,809
Less: provision for slow moving and obsolete inventories	**(1,431)**	(749)
	9,458	43,060

The cost of inventories recognised as an expense and included in contract costs amounted to USD 51 million (2009: USD 14.8 million). In the opinion of the Directors, the replacement cost of the inventories does not differ significantly from its carrying value.

22 Trade and other receivables

	2010 USD'000	2009 USD'000
Trade receivables	**54,666**	120,999
Other receivables and prepayments	**13,936**	10,715
Advances to suppliers	**1,563**	4,492
	70,165	136,206
Less: provision for impairment of trade receivables	**(2,997)**	(2,795)
	67,168	133,411
Amounts due from customers on contracts	**58,013**	16,389
Contract work in progress (Note 2.2)	**125,943**	43,976
	251,124	193,776

Amounts due from customers on contracts comprise:

	2010 USD'000	2009 USD'000
Costs incurred to date	**241,300**	209,337
Attributable profits	**47,640**	53,601
	288,940	262,938
Less: progress billings	**(230,927)**	(246,549)
	58,013	16,389

An analysis of trade receivables is as follows:

	2010 USD'000	2009 USD'000
Fully performing (Note 16)	**26,573**	94,725
Past due but not impaired	**25,096**	23,479
Impaired	**2,997**	2,795
	54,666	120,999

22 Trade and other receivables (continued)

Trade receivables that are less than three months past due are generally not considered impaired. As of 31 December 2010, trade receivables of USD 25.1 million (2009: USD 23.5 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 USD'000	2009 USD'000
Up to 3 months	**19,713**	17,335
3 to 6 months	**2,375**	4,953
Over 6 months	**3,008**	1,191
	25,096	23,479

At 31 December 2010, trade receivables of USD 3 million (2009: USD 2.8 million) were impaired and provided for. The individually impaired receivables are over six months (2009: over six months) old and mainly relate to customers who are in an unexpectedly difficult economic situation.

The carrying amounts of the Group's trade and other receivables are primarily denominated in US Dollars or UAE Dirhams, which is pegged to the US Dollar.

Movements on the provision for impairment of trade receivables are as follows:

	2010 USD'000	2009 USD'000
At 1 January	**2,795**	2,788
Provision for receivables impairment (Note 15)	**202**	101
Receivables written off during the year as uncollectible	**–**	(93)
Unused amounts reversed (Note 15)	**–**	(1)
At 31 December	**2,997**	2,795

The creation and release of the provision for impaired receivables have 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 receivable mentioned above. During 2009, a receivable from one customer amounting to USD 60 million was secured by the lien on the new build unit under construction and the related procured materials.

The carrying value of trade receivables approximates to their fair value.

23 Financial asset at fair value through profit or loss

	2010 USD'000	2009 USD'000
Unlisted equity security	**2,500**	2,500

On 27 November 2009, LEL subscribed for 28,000,000 shares in BassDrill Alpha Limited ("BassDrill") amounting to USD 5 million at the subscription price of USD 0.1786 per share. LEL entered into an option agreement with certain shareholders of BassDrill granting LEL the option to sell the BassDrill shares after 12 months at an option price of USD 0.0893 plus three month LIBOR + 3% per annum. Further LEL also granted certain shareholders of BassDrill the option to purchase the BassDrill shares held by LEL in the period starting from the date of issuance and ending after 24 months at an option price of USD 0.1786 plus three month LIBOR + 3% per annum.

Notes to the financial statements for the year ended 31 December 2010

23 Financial asset at fair value through profit or loss (continued)

During 2009, a fair value loss of USD 2.5 million was recorded in “other (losses)/gains – net” (Note 13) in the consolidated income statement based on management’s estimate of the carrying value.

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the consolidated cash flow statement.

In January 2011, LEL exercised the put option and realised USD 2.6 million in respect of this investment.

24 Related party balances and transactions

Related parties comprise LHL (which owns 33% of the issued share capital of the Company), certain legal shareholders of the Group companies, Directors and key management personnel of the Group. Related parties for the purpose of the parent company financial statements also include subsidiaries owned directly or indirectly. Other than disclosed elsewhere in the financial statements, the Group entered into the following significant transactions during the year with related parties at prices and on terms agreed between the related parties:

	2010 USD’000	2009 USD’000
Key management compensation	9,506	5,946
Sponsorship fees paid to legal shareholders of LD and LS (Note 1)	143	141

Key management compensation comprises:

	2010 USD’000	2009 USD’000
Salaries and other short-term employee benefits	7,988	4,621
Share-based payments – value of services provided	965	1,007
Post-employment benefits	553	318
	9,506	5,946

Due from related parties

	2010 USD’000	2009 USD’000
Company		
LEL (receivable in respect of management fees charged by the Company)	19,144	17,202
EBT*	3,475	1,991
	22,619	19,193

* Includes USD 3,388,744 (2009: USD 1,810,926) due in respect 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.

Dividends paid by the Company include an amount of USD 5.2 million (2009: 2.2 million) in respect of shares held by key management personnel (including those held by the EBT in respect of shares gifted) of which USD 5 million (2009: 2.1 million) was paid to LHL, a company controlled by Steven Lamprell who is a member of key management.

25 Cash and bank balances

Group

	2010 USD'000	2009 USD'000
Cash at bank and on hand	**36,916**	18,336
Short-term and margin deposits	**173,307**	49,506
Cash and bank balances	**210,223**	67,842
Less: margin deposits	**(5,973)**	(5,673)
Less: deposits with an original maturity of more than three months	**(67,446)**	(3,847)
Less: bank overdrafts (Note 33)	**–**	(9,081)
Cash and cash equivalents (for cash flow purpose)	**136,804**	49,241

At 31 December 2010, the cash at bank and short-term deposits were held with eight (2009: seven) banks. The effective interest rate on short-term deposits was 2.08% (2009: 2.46%) per annum. Margin deposits of USD 6 million (2009: USD 5.7 million) and deposits with an original maturity of more than three months amounting to USD 42 million (2009: Nil) are held under lien against guarantees issued (Note 36).

Company

Cash and cash equivalents comprise cash held with one bank.

26 Share capital

Issued and fully paid ordinary shares

Company

	Equity share capital	
	Number	USD'000
At 1 January 2009, 31 December 2009 and 2010	200,279,309	18,682

The total authorised number of ordinary shares is 400 million shares (2009: 400 million shares) with a par value of 5 pence per share (2009: 5 pence per share).

During 2010, EBT acquired 722,453 shares (2009: 1,391,253 shares) of the Company. The total amount paid to acquire the shares was USD 3.5 million (2009: USD 1.7 million) and has been deducted from the Consolidated Retained earnings. During the year 781,574 shares (2009: 724,251 shares) amounting to USD 1.9 million (2009: USD 2.2 million) were issued to employees on vesting of the free shares and 1,277,138 shares (2009: 1,336,259 shares) are held as treasury shares at 31 December 2010. The Company has the right to reissue these shares at a later date. These shares will be issued on the vesting of the awards granted under free shares/share options/ performance share plan to certain employees of the Group (Note 9).

27 Legal reserve

The Legal reserve of USD 33,436 (2009: USD 31,436) relates to subsidiaries incorporated as limited liability companies in the UAE. In accordance with the Articles of Association of the respective subsidiaries and the UAE Federal Law No. (8) of 1984, as amended, 10% of the profit for the year of such companies is transferred to a Legal reserve. Such transfers are required to be made until the reserve is equal to, at least, 50% of the issued share capital of such companies. During the year, an amount of USD 2,000 (2009: USD 2,000) was transferred to the Legal reserve.

28 Other reserve

The Other reserve of USD 708,852,000 represents the difference between the cost of the investment in LEL (USD 727,506,000) and the nominal value of Share capital issued by the Company to acquire LEL (USD 18,654,000). The Other reserve is not available for distribution.

Notes to the financial statements for the year ended 31 December 2010

29 Merger reserve

	2010 USD'000	2009 USD'000
Nominal value of shares of the Company	**18,654**	18,654
Share capital of LEL	**(82)**	(82)
Merger reserve on acquisition of LEL	**18,572**	18,572
Purchase consideration relating to acquisition of Inspec	**4,000**	4,000
Share capital of Inspec	**(150)**	(150)
Merger reserve on acquisition of Inspec	**3,850**	3,850
Total	**22,422**	22,422

On 11 September 2006, LEL acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition has been accounted for using the uniting of interests method and the difference between the purchase consideration (USD 4 million) and the share capital of Inspec (USD 150,000) has been recorded in the Merger reserve.

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 interests method and the difference between the nominal value of shares issued by the Company (USD 18,654,000) and the nominal value of LEL shares acquired (USD 82,000) has been recorded in the Merger reserve.

30 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 2010 and 2009, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. 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 movement in the employees' end of service benefit liability over the year is as follows:

Group

	2010 USD'000	2009 USD'000
At 1 January	**15,150**	14,329
Current service cost	**2,297**	2,762
Interest cost	**958**	960
Actuarial losses/(gains)	**1,191**	(384)
Curtailments	**–**	(165)
Benefits paid	**(1,072)**	(2,352)
At 31 December	**18,524**	15,150

Company

	2010 USD'000	2009 USD'000
At 1 January	**592**	758
Current service cost	**35**	30
Interest cost	**22**	17
Actuarial losses	**159**	56
Benefits paid	**–**	(269)
At 31 December	**808**	592

30 Provision for employees' end of service benefits (continued)

The amounts recognised in the consolidated income statement are as follows:

Group

	2010 USD'000	2009 USD'000
Current service cost	**2,297**	2,762
Interest cost	**958**	960
Actuarial losses/(gains)	**1,191**	(384)
Gain on curtailments	**–**	(165)
Total (included in staff costs) (Note 11)	**4,446**	3,173

Of the total charge, USD 3.2 million (2009: USD 2.6 million) and USD 1.2 million (2009: USD 0.6 million) are included in cost of sales and general and administrative expenses respectively.

Company

	2010 USD'000	2009 USD'000
Current service cost	**35**	30
Interest cost	**22**	17
Actuarial losses	**159**	56
Total (included in staff costs)	**216**	103

The above charge of USD 0.2 million (2009: USD 0.1 million) is included in general and administrative expenses.

The principal actuarial assumptions used were as follows:

	2010	2009
Discount rate	**5.25%**	5.75%
Future salary increase:		
Management and administrative employees	**5.00%**	5.00%
Yard employees	**3.50%**	4.00%

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	
Age	2010	2009
Management, yard and administrative employees:		
Below 20 years	**0%**	0%
20–29 years	**15%**	15%
30–39 years	**10%**	10%
40–44 years	**10%**	7%
45–54 years	**7%**	7%
55–59 years	**2%**	7%
60 years and above	**100%**	100%
Executive directors:		
35–39 years	**10%**	0%
40–64 years	**7%**	7%
65 years and above	**100%**	100%

Notes to the financial statements for the year ended 31 December 2010

31 Derivative financial instruments

	Credit rating	2010 Notional contract amount USD'000	2010 Assets USD'000	2010 Liabilities USD'000	2009 Notional contract amount USD'000	2009 Assets USD'000	2009 Liabilities USD'000
Derivatives designated as hedging instruments in cash flow hedges							
– Forward foreign exchange contracts	**A+**	**36,310**	**2,517**	**–**	–	–	–
– Forward foreign exchange contracts	**AA, A+**	**85,301**	**–**	**2,651**	–	–	–
Total		**121,611**	**2,517**	**2,651**	–	–	–

During the year, the Company entered into three forward contracts to hedge its foreign currency exposure with respect to certain supplier commitments in Euros. The notional principal amount at the date of inception of these contracts was Euro 142.02 million. These contracts mature within 24 months from the date of inception.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

An amount of USD 304,000 was recorded in equity and an amount of USD 170,000 was recycled from equity to profit or loss during the year. The net movement in the fair value reserve during the year was USD 134,000.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 18 months. Gains and losses recognised in the hedging reserve in the consolidated statement of changes in equity on forward foreign exchange contracts as of 31 December 2010 are recognised in the consolidated income statement in the period or periods during which the hedged forecast transaction affects the consolidated income statement.

This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties, using the same techniques as for other counterparties.

32 Trade and other payables

	2010 USD'000	2009 USD'000
Trade payables	**57,791**	53,035
Other payables and accruals	**91,886**	51,358
Amounts due to customers on contracts	**99,986**	20,183
Advances received for contract work	**43,557**	–
Dividend payable++ (Note 12)	**51**	34
	293,271	124,610

	2010 USD'000	2009 USD'000
Amounts due to customers on contracts comprise:		
Progress billings	**252,521**	250,892
Less: Cost incurred to date	**(133,894)**	(213,733)
Less: Attributable profits	**(18,641)**	(16,976)
	99,986	20,183

++ The dividend payable represents an amount held by the EBT in respect of treasury shares. This dividend will be paid by the EBT to the employees upon completion of the vesting period.

33 Borrowings

	2010 USD'000	2009 USD'000
Bank overdrafts	–	9,081
Revolving facilities	–	22,547
	–	31,628

The bank facilities relating to overdrafts and revolving facilities carry interest at LIBOR/EIBOR + 1.5% to 4.0% (2009: LIBOR/EIBOR + 2.0% to 3.5%).

The carrying amounts of borrowings in the prior year approximated to their fair value and were denominated in US Dollars or UAE Dirhams, which is pegged to the US Dollar.

34 Profit of the Company

The profit of USD 19,048,000 (2009: USD 6,579,000) in respect of the Company has been included in these consolidated financial statements.

35 Commitments

(a) Operating lease commitments

The Group leases land and staff accommodation under various operating lease agreements. The remaining lease terms of the majority of the leases are between 6 to 23 years and are renewable at mutually agreed terms. The future minimum lease payments payable under operating leases are as follows:

	2010 USD'000	2009 USD'000
Not later than one year	**6,886**	7,826
Later than one year but not later than five years	**10,816**	13,019
Later than five years	**31,108**	33,728
	48,810	54,573

(b) Other commitments

	2010 USD'000	2009 USD'000
Letters of credit for purchase of materials and operating equipment	**3,433**	13,285
Capital commitments for purchase of operating equipment	**2,416**	929
Capital commitments for construction of facilities	**13,555**	18,262

36 Bank guarantees

	2010 USD'000	2009 USD'000
Performance/bid bonds	**126,284**	112,319
Advance payment, labour visa and payment guarantees	**292,126**	5,882
	418,410	118,201

The various bank guarantees, as above, were issued by the Group's bankers in the ordinary course of business. Certain guarantees are secured by 100% cash margins, assignments of receivables from some customers and, in respect of guarantees provided by banks to the Group companies, they have been secured by parent and certain Group company guarantees. In the opinion of the Directors, the above bank guarantees are unlikely to result in any liability to the Group.

Notes to the financial statements for the year ended 31 December 2010

37 Events after balance sheet date

The Board of Directors of the Company has proposed a dividend of 9.5 cents per share amounting to USD 19 million at a meeting held on 24 March 2011. In accordance with the accounting policy under IFRS set out at Note 2.16, this dividend has not been accrued at 31 December 2010 (2009: 3.80 cents per share amounting to USD 7.6 million declared on 26 March 2010 was not accrued at 31 December 2009). This is in accordance with the Isle of Man Companies (Amendment) Act 2009 which required that such proposed dividends should not be recognised until paid or approved by the shareholders.

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"AGM" – Annual General Meeting

"AIM" – Alternative Investment Market – a market operated by London Stock Exchange Plc

"API" – American Petroleum Institute

"BassDrill" – BassDrill Alpha Limited

"Board" or **"Directors"** – the Board of Directors of the Company

"CAD" – Canadian Dollars

"CEO" – Chief Executive Officer

"CFO" – Chief Financial Officer

"CSR" – Corporate Social Responsibility

"Company" – Lamprell plc

"COO" – Chief Operating Officer

"EBITDA" – Earnings before Interest, Taxes, Depreciation and Amortisation

"EBT" – Lamprell plc Employee Benefit Trust

"EPC" – Engineering, Procurement and Construction

"EPS" – Earnings Per Share

"ESOP" – Lamprell plc Executive Share Option Plan

"FPSO" – Floating, Production, Storage and Offloading

"FTSE" – Financial Times Stock Exchange index

"FZCo" – Free Zone Company

"Group" – The Company and its subsidiaries

"HSE" – Health, Safety and Environment

"IAS" – International Accounting Standards

"IFRIC" – International Financial Reporting Interpretations Committee interpretation

"IFRS" – International Financial Reporting Standards

"Inspec" – International Inspection Services Limited

"IPO" – Initial Public Offering

"ISO" – International Organisation for Standards

"KPI" – Key Performance Indicators

"Labour Law" – Labour Law (Federal Law No.8 of 1980 (as amended))

"LAL" – Lamprell Asia Limited

"Lamprell" – the Company and its subsidiary undertakings

"LD" – Lamprell Dubai LLC

"LEL" – Lamprell Energy Limited

"LHL" – Lamprell Holdings Limited

"LS" – Lamprell Sharjah WLL

"LSE" – London Stock Exchange Limited

"LTI" – Lost Time Incident

"Mercer" – Mercer Consulting Middle East Limited

"PSP" – Lamprell plc 2008 Performance Share Plan

"TSR" – Total Shareholder Return

"UAE" – the Federation of the United Arab Emirates

"United States" or **"US"** – the United States of America

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