Lamprell

Lamprell plc
Annual Report & Accounts 2011

Lamprell is a leading provider of diversified engineering and contracting services to the onshore and offshore oil & gas and renewable energy industries.

Lamprell Business

Oil & Gas	Renewable Energy	Services
New Build Jackup Drilling Rigs	Wind Farm Installation Vessels	Engineering Services
New Build Offshore	Transformer Stations (AC & DC)	INSPEC (NDT, Mechanical & Calibration Services)
Rig Refurbishment	Wind Turbine Foundations	Sunbelt H_2S Safety Services
Engineering & Construction		Operations & Maintenance
Land Rig Services		

	UAE				Other		
Facilities	Hamriyah	Sharjah	Jebel Ali	Dubai	Saudi Arabia*	Kuwait	Total
Land (m^2)	365,000	210,000	178,849	30,000	131,469	10,000	925,318
Quayside (m)	1,440	760	–	–	–	–	2,200

* JV

Lamprell is listed on the London Stock Exchange (symbol “LAM”).

Highlights

USD 1,148m
Revenue

USD 74m
Adjusted net profit[1]

- A record order book of USD 1,215m at the year end
- New contract awards in the period amounting to USD 1,098m
- Excellent health and safety track record
- Yard capacity increased by 68% to 925,318m²

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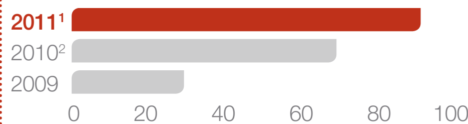
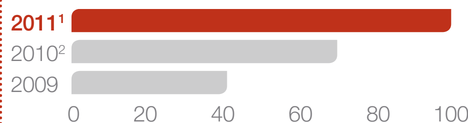
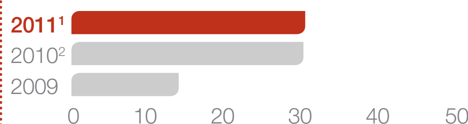
Adjusted operating profit USDm



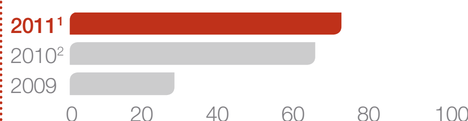
Adjusted EBITDA USDm



Adjusted earnings per share US cents



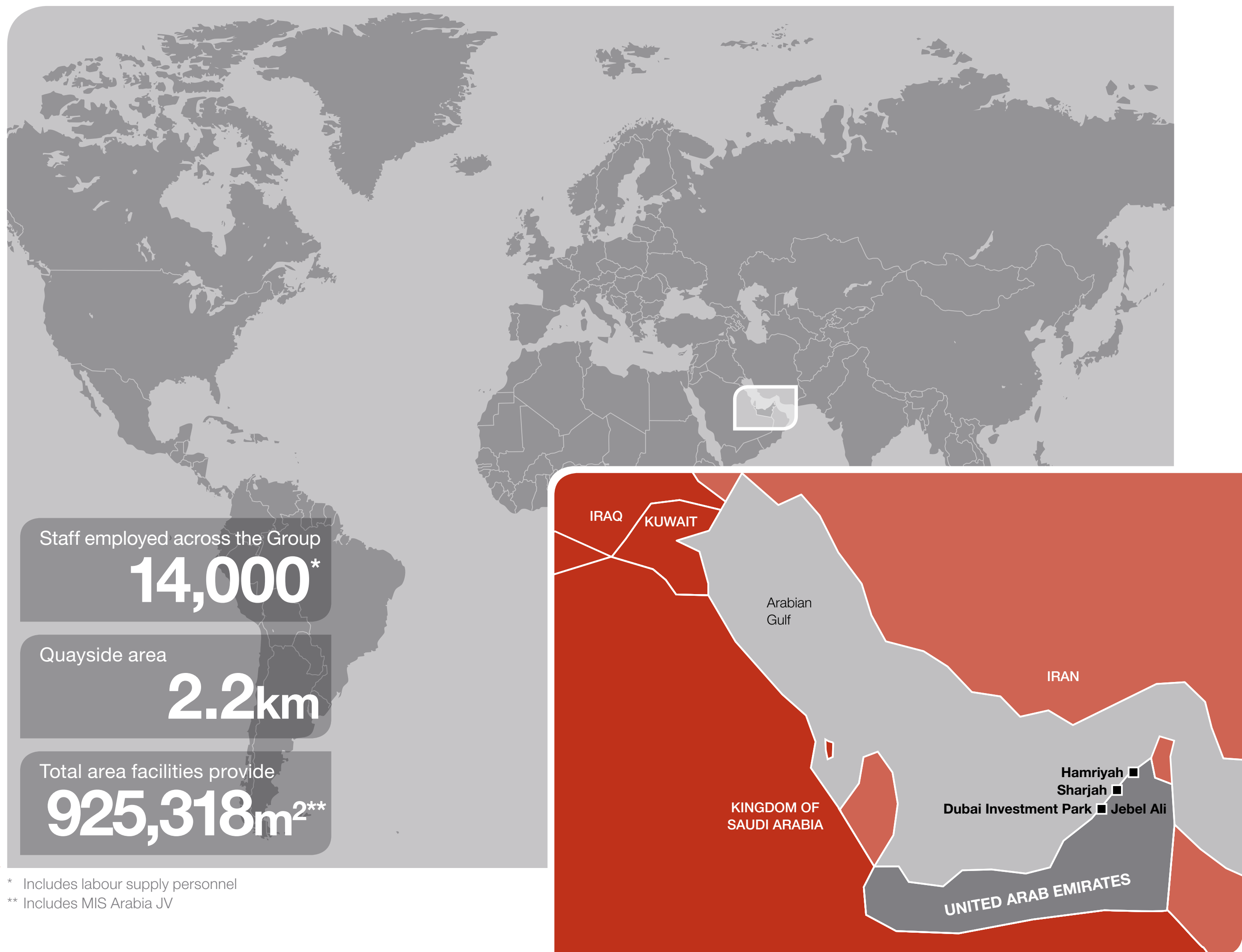
Adjusted net profit USDm



1 Adjusted for USD 10.5m of exceptional charges incurred in connection with the acquisition of MIS.
2 Includes USD 20.4m one-off gain in relation to Riginvest and excludes one-off USD 1.4m loss arising from the closure of Lamprell Asia Limited.

Lamprell at a Glance
Wider international presence

Lamprell is based in the United Arab Emirates ("UAE") where it has its primary facilities. The Group has operations throughout the wider region with customer representation from all over the world.



* Includes labour supply personnel
** Includes MIS Arabia JV

Lamprell, based in the UAE, and with operations throughout the region, has played a prominent role in the development of the offshore industry in the Arabian Gulf for over 30 years and is the regional market leader in the rig market. Lamprell is a leading provider of diversified engineering and contracting services to the onshore and offshore oil & gas and renewable energy industries.

Lamprell employs over 14,000 people, including labour supply personnel, across multiple facilities, with its primary facilities located in Hamriyah, Sharjah and Jebel Ali, all of which are in the UAE. In addition, the Group has facilities in Saudi Arabia (through a joint venture agreement) and Kuwait. Combined, the Group's facilities total over 925,000m² with 2.2km of quayside.

Primary facilities

Hamriyah

The Hamriyah facility is purpose-built for new build construction and refurbishment of offshore drilling rigs, land drilling rigs, wind farm installation vessels and oil & gas structures.

This facility has 335,000m² of construction area and an additional 30,000m² of storage area with direct access to 1,440m of quayside of which 1,250m has a water depth of 9m at low tide. With a 19,000m² covered fabrication shop equipped with overhead cranes and 30,000m² of fabrication pads similarly equipped with gantry cranes, the facility is ideally suited for the construction of any structure.

Sharjah

Located in Port Khalid, the Sharjah facility has approximately 360m of dedicated quayside access and it is at this location that the majority of Lamprell's jackup rig upgrade and refurbishment projects are executed. The Sharjah facility has a total surface area of approximately 210,000m² that includes approximately 170,000m² of open fabrication area serviced by mobile crawler cranes and tower cranes, as well as approximately 6,400m² of covered fabrication space. The facility has 760m of quayside space.

Jebel Ali

The Jebel Ali facility is located in the Jebel Ali Free Zone, (Dubai, UAE). This purpose-built facility occupies an area of approximately 178,849m² which includes more than 16,000m² of covered workspace with internal overhead cranes suitable for carrying out piping fabrication, structural pre-fabrication and assembly activities under cover.

In addition, the facility has extensive open fabrication areas that are equipped with gantry, tower and mobile crawler cranes and well equipped offices for customers and operational support staff.

The Company is currently expanding the facility to support the planned increase in liftboat, tender barge, fixed platform and FPSO process module building.

Dubai Investment Park

The Dubai Investment Park facility has an area of 30,000m² with 2,000m² of covered workshops (structural and piping), storage space, pressure testing bunker and painting facility.

The facility handles the design of new build land rigs, several drilling packages including mud, fuel and water tanks, substructures, masts, burner booms, custom trailers, piping manifolds, gantry cranes, well test separators, pipe and BOP handling equipment among other equipment for onshore oilfield services.

Saudi Arabia

MIS Arabia's facilities in Jubail cover a total area of over 131,000m² which includes the primary 88,000m² yard with its 10,000m² fabrication shop and an additional 30,000m² facility at Jubail Industrial Port which is dedicated to manufacturing large components, thereby facilitating shipment from the port.

The facility handles pressure vessels, columns, reactors, slug catchers, fired crude heaters, scraper traps, heat exchangers, process skids & modules, shop fabricated tanks, O&M and other technical services.

Complementary Business Areas
Group positioning

The enlarged Lamprell Group, through the acquisition of MIS, is a leading provider of diversified engineering and contracting services to the onshore and offshore oil & gas and renewable energy industries.

Positioning

Lamprell is a leading provider of diversified engineering and contracting services to the onshore and offshore oil & gas and renewable energy industries.

Primary facilities

- Hamriyah
- Sharjah
- Jebel Ali
- Dubai Investment Park
- Saudi Arabia
- Kuwait

Support functions

Operations, HSES, Engineering, Procurement and Supply Chain, Commercial, QA/QC

Administration, Strategic Development, Audit, Finance, HR, IT, Legal and Corporate Communications

Lamprell business

Oil & Gas

New Build Jackup Drilling Rigs
Lamprell is firmly established as one of the world's leading facilities for the construction of new build jackup drilling rigs.

With a highly sophisticated engineering capability and custom-built construction and load out facilities, Lamprell has gained a reputation as a reliable and professional builder of state-of-the-art drilling rigs. The Group has successfully delivered several LeTourneau 116E and Friede & Goldman Super Mod II jackup rigs to international and regional drilling operators.

New Build Offshore
Lamprell's expertise in the new build offshore segment extends beyond jackup drilling rigs and covers a wide range of offshore vessels and structures. This includes the design and construction of process modules for floating production, storage and offloading units ("FPSOs") and floating storage and regasification units ("FSRUs"|), tender assist drilling barges, mobile offshore production units ("MOPUs"), offshore drilling rig components and accessories, living quarters, turrets and other offshore fixed structures.

Rig Refurbishment
Since 1990, Lamprell has completed over 300 rig refurbishment projects. The rig refurbishment scope varies with every project and can range from a simple repair to a major docking lasting several months for the upgrade or replacement of older and sometimes damaged equipment and machinery.

The Company has successfully completed numerous refurbishment projects for drilling contractors, including Noble Drilling, Ensco, Rowan, Saipem, Transocean, Nabors, National Drilling Company, Arabian Drilling Company and Japan Drilling Company.

Engineering & Construction
Lamprell Engineering & Construction ("E&C") offers the combined expertise of Lamprell and Maritime Industrial Services ("MIS"), both well-established entities in the region's oil & gas sector. With a strong regional presence, excellent project execution track record, certified systems & processes and strong engineering capabilities (providing engineering services from concept design to commissioning), Lamprell E&C delivers fully integrated engineered solutions to the onshore and offshore oil & gas and renewable energy sectors.

Land Rig Services
Land Rig Services covers all projects and services related to onshore drilling rigs, oilfield service companies and drilling equipment refurbishment for land and offshore rigs. The land rig services group operates from facilities in Hamriyah, Jebel Ali, Dubai Investment Park and Kuwait and also provides field services as required.

Renewable Energy

Wind Farm Installation Vessels
Lamprell's strategic goal of becoming the fabricator of choice in the growing wind farm installation market is endorsed by the experience and expertise that the Group has gained with the new build construction of wind turbine installation vessels for Seajacks and Fred. Olsen Windcarrier; two major companies in this expanding marketplace.

The offshore wind sector provides Lamprell with the opportunity to utilise its engineering skills in a sector where there is a recognised lack of installation capacity. Having constructed two such vessels which are now operating in the European market and currently constructing a further three, Lamprell has the right skills, experience and expertise in this market area.

Services

Engineering Services
Lamprell's Engineering Services provides a range of engineering solutions from concept engineering, FEED, design engineering to detailed & construction engineering including offshore drilling rigs, land rigs, onshore and offshore Engineering, Procurement & Construction projects, pipelines, pressure vessels, skids, modules, decks and jackets. This is delivered by a team of experienced multi-discipline engineers and designers using the latest engineering software and 3D modelling techniques.

Litwin PEL, part of the Lamprell Group, was established in Abu Dhabi, UAE in 2007 and offers Engineering & Construction and multi-disciplinary engineering services to the oil & gas industry and to the chemical & petrochemical sectors.

INSPEC (NDT, Mechanical & Calibration Services)
International Inspection Services Ltd. ("INSPEC") provides high quality inspection services to several countries within the Middle East. Established in 1993, INSPEC is predominantly engaged in the supply of inspection personnel and equipment for heat treatment and Non-Destructive Testing ("NDT") services to the oil & gas, district cooling and other infrastructure-intensive industries including desalination and energy. Its primary markets of operation are the UAE, Oman and Bahrain.

Sunbelt H_2S Safety Services
Lamprell's Sunbelt H_2S safety services division provides complete safety solutions to its clients through a range of specialised products and services. As an authorised distributor for a number of safety equipment manufacturers, Sunbelt ensures that it offers products that adhere to British, European and US standards. Sunbelt also provides technical consultancy, services and support specialised in the detection and handling of the highly toxic H_2S gas.

Operations & Maintenance
Lamprell's Operations & Maintenance ("O&M") business has a proven record of excellent performance and service with a core workforce of over 500 tradesmen and administrative personnel who are supported by a larger base of skilled field staff from the various divisions of the Lamprell Group. O&M provides manpower, equipment and materials services to a diverse customer base at oil & gas and petrochemical facilities and plants, drilling rigs, offshore facilities, marine docks and marine vessels.

Chairman's Statement
Jonathan Silver

2011 was a landmark year for Lamprell.

2011 was a landmark year for Lamprell in a number of ways. The Group reported revenues of USD 1,148m, the largest annual revenue in the Group's history, an increase of 128% on 2010 and adjusted net profit of USD 73.8m, 10.9% higher than the prior year; the Group secured contract awards totalling USD 1,098m, the second highest in the Group's history; and the Group's year-end order book, amounting to USD 1,215m, is a record. The Group continues to be committed to high quality and timely project execution.

The Group completed its first significant acquisition with the NOK 1,869m (USD 338m) purchase of Maritime Industrial Services Co. Ltd. Inc. ("MIS"), a diversified engineering and contracting group focused on the energy sector with its principal operations based in Sharjah in the UAE. Despite the complexities of the transaction, the acquisition was completed (post the initial negotiations) in only 67 days. In the process, the Company launched its first ever rights issue, which achieved a 99.8% acceptance from shareholders and raised equity, debt and guarantee facilities totalling, in aggregate, USD 530m.

The acquisition of MIS has added complementary service businesses to the Group's existing offering, a presence in a number of countries in the region including, most significantly, the Kingdom of Saudi Arabia, it has enhanced the Group's in-house engineering capabilities and provided 375,000m^2 of additional yard and fabrication space. The combined Group now employs in excess of 14,000 people, including labour supply personnel, working in multiple locations across eight countries. The process of integrating MIS and its subsidiaries into the Group has progressed more quickly than was anticipated and is expected to be completed prior to the first anniversary of the acquisition. Management is confident that the annual synergies that will be brought about following the acquisition will meet the target of USD 11m.

The Company formally opened its expanded Hamriyah facility at a ceremony marking the official launch of the Group's main facility following over three years of construction and an investment of over USD 75m. The Company was extremely honoured to have His Highness Sheikh Sultan bin Mohammed Al Qassimi, Supreme Council Member and Ruler of Sharjah, open the facility. With a surface area of 365,000m^2 and a quayside of over 1.4km, the Hamriyah yard is one of the region's foremost facilities for the manufacture of oil & gas assets, with capacity to accommodate more than 10 jackup rigs at the quayside simultaneously and multiple new build rigs in various stages of construction within the yard. The Hamriyah facility

USD 1,098m

New contract awards

demonstrates the Group's determination to build its business further and is already playing a key part in broadening the Group's offering to its widening customer base.

The Group's record year-end order book and strong bid pipeline reflect the high level of interest there is in Lamprell's services, a point reinforced during 2011 by the multiple major contract awards with leading international clients including contracts to construct five new build jackups, a wellhead and production utility quarters platform for Nexen and two new build land rigs. The Nexen contract is a significant step for the Group in terms of developing the North Sea market and its increased scale.

That these achievements came against a backdrop of continuing economic volatility was particularly pleasing, demonstrating the strength of the Group's offering even in more difficult times. We are, however, very watchful of any impact that continuing economic concerns may have on our principal markets and will continue to work hard to maintain both the quality of our work and the flexibility of our business model to seek to ensure that Lamprell can respond rapidly to any changes in the health of the industry supply chain.

In January of last year, Christopher Hand joined the Board as Chief Operating Officer and in October, we welcomed Jonathan Cooper as our Chief Financial Officer with his predecessor Scott Doak taking a new role within the Group. We are fortunate to add Jonathan's undoubted skills in both the finance and oil sectors to our Board whilst retaining Scott's knowledge of our business in an important new role. I am also delighted to welcome Deena Mattar to the Board as a Non-Executive Director with effect from the beginning of April 2012. Deena Mattar, who was formerly Group Finance Director of Kier Group plc and holds non-executive directorships at Invensys plc and RM plc, will assume the role of Chairman of the Audit Committee when Richard Raynaut retires in June of this year. We are extremely grateful to Richard for the significant contribution he has made to the Company during the last six years.

These are exciting times for the Group and I am pleased to announce that, having considered the current market conditions, profit earned and cash generated during the year ended 31 December 2011, the Board is recommending a dividend of 8.00 cents per share. If approved, this will be paid to shareholders on 22 June 2012 provided they were on the register on 25 May 2012.

I am confident that Lamprell's reputation for quality, the safe execution of work, its technical capabilities, project execution and delivery, coupled with the dedication and expertise of Lamprell's management and staff, will enable the Company to continue to deliver value for all its stakeholders.

Jonathan Silver
Chairman
Lamprell plc

Steven Lamprell President

USD 1,215m

Value of our order book at year end

Year at a glance

February
Greatship contract for a LeTourneau Super 116E new build rig

March
Weatherford contract for two new build 3000HP land rigs

April
Multiple contracts for rig refurbishment and upgrade

July
Successful acquisition of MIS

October
Exercise of options by NDC for two new build rigs and official inauguration of Hamriyah facility

November
Contracts signed with Nexen for a two level wellhead deck and with Jindal for a LeTourneau Super 116E new build rig

December
Sale of Hull 108 to Perforadora Mexico

Our Strategy and Performance

The Group's objective is to enhance Lamprell's position as a leading provider of engineering and construction services to the oil & gas, renewable energy and industrial sectors, and to expand the Group's operations to support the needs of clients across a growing range of sectors and geographies.

Our strategy to achieve the Group's objective:

Engineering & Construction

Provision of turnkey engineering and construction ("E&C") solutions, via a vertical structure aligned to our clients' needs throughout the complete life cycle of their assets

Expansion

The expansion of our core revenue streams into target growth markets, both within the Middle East and beyond

Renewable Energy

Applying our market leading strengths to support new and existing clients within the renewable energy markets

New sectors

Expanding into new sectors where our core skills are complementary

Operational excellence

Continuing to deliver high quality products on schedule and on budget for all our clients

Health and safety track record

Maintaining health and safety excellence across our operations and ensuring our activities are environmentally sustainable

This objective is at the core of the newly enlarged Group. The success of the MIS acquisition, and its subsequent integration, has broadened the Group's capabilities and geographic reach to ensure that our clients can depend on our world class service throughout the life of their key assets.

Our strategy of partnering with our clients not only enhances the service we provide, but also increases our ability to influence decision-making at the early stages of major projects, thereby ensuring quality and control of the product, as well as enhancing our project visibility and risk management.

In addition, we are continuing to develop a range of key strategic partnerships to ensure we move nearer to our goal of providing a seamless service that continues Lamprell's reputation for delivery excellence and advances our geographic and sector reach.

The Group has seen strong growth in our offshore new build sector, particularly jackup and wind farm projects, and our goal is to continue these successes and support our clients as they move towards larger and more complex assets. Our strategy over the last three years, of investing for the long term in our state of the art facilities, provides us with the capacity and strength to ensure we are in prime position to meet these goals. In addition, we are committed to the continued enhancement of our engineering capabilities to ensure we are leading major projects from inception to completion, and the newly combined Engineering Services group is the latest step in a strategy to move engineering to the forefront of the Group's activities.

In parallel to this offshore-driven growth, we have substantially broadened our strategy for the onshore market following the integration of MIS's key capabilities in this area. Through our newly combined onshore business, we are focused on providing the full range of services to major onshore clients, supporting them in the new build, refurbishment and upgrade phases of their operations and ensuring that our geographic expansion opens up substantial new opportunities for this exciting area of the business.

We are also focused on the growth and development of our range of smaller complementary service businesses, as they extend their reach into key growth markets. Our inspection and H_2S safety divisions are amongst the strongest in the Middle East region and continue to be valued partners to an increasing number of our clients. Our Operations & Maintenance business is a focus for the coming year as we look to enhance its capabilities and maximise our cross-selling opportunities in this important service line.

This strategy gives a clear path for growth, one which builds on the core strengths and traditions of the Group to ensure that it continues to capitalise on sustainable growth opportunities and maximise client service levels, whilst ensuring the highest standards in health, safety, environment and staff welfare.

Expanding into New Sectors
Special feature: MIS integration

Lamprell's acquisition of MIS provided an excellent opportunity to broaden the Group's capabilities in both the onshore and offshore industries and to provide it with an expanded regional presence.

The combination of the two entities' strengths enhanced the Group's positioning as a leading provider of engineering & contracting services to the onshore and offshore oil & gas and renewable energy industries, providing extra capacity and key resources and adding a number of established businesses to the Group.

Acquisition highlights

- Providing complementary business areas, particularly in onshore service offerings
- Enhancing in-house engineering capabilities
- Adding extra capacity and resources
- Adding a number of established businesses in target geographies
- Providing an enlarged customer base with a wider service offering
- Consolidating Lamprell's position as a regional market leader in the rig market
- Achieving cost and revenue synergies between two highly complementary businesses

Chief Executive's Review
Nigel McCue

2011 was a very positive year for the Company, with contract awards totalling USD 1.1bn together with a backlog of USD 1.2bn at the year-end. The transformational acquisition of Maritime Industrial Services Co. Ltd. Inc. ("MIS") significantly contributed to consolidating our position as a market leader in the provision of contracting products and services in the oil & gas and renewables industry together with increasing our reach into new regional markets. Ongoing strength in the oil price has also helped to bolster a record bid pipeline and we ended the year with unprecedented levels of enquiries and bid activity.

The results for the year were very pleasing with revenues totalling USD 1,148m, resulting in an adjusted net profit for the year of USD 73.8m (USD 63.3m after exceptional charges) reinforcing the firm commercial foundations of the business.

Our longstanding strategy of maintaining a strong balance sheet has continued to underpin our disciplined fiscal approach to our business 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, and once again in 2011 we saw the benefits of this delivery-led strategy as repeat business contributed significantly to revenues.

The Group maintains a substantial order book extending to Q2 2014 which at the end of 2011, was USD 1.2bn, comprising USD 914m from new build marine projects, USD 220m from offshore construction projects, including offshore wellhead platforms, floating production storage and offloading units and accommodation modules, USD 17m from Land Rig Services, USD 14m from Jackup Rig Refurbishment projects, and USD 50m from the Group's other fabrication activities and subsidiary operating companies.

The Company continues 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. We are proud of our safety record; in 2011 the lost-time injury frequency was 0.27, significantly below the UK construction industry average for similar businesses.

There remains widespread uncertainty regarding the macro economic climate, although we have seen negligible impact on our business. Continued strength in the oil price has ensured that operator activity and investment

USD 333m

Contract award from National Drilling Company in Abu Dhabi

The results for the year were very pleasing with revenues totalling USD 1,148m, resulting in an adjusted net profit for the year of USD 73.8m.

remains high, and sentiment throughout the industry supply chain is positive. However, we can never be complacent about this situation given the prevailing macro economic issues and we continue to keep a close watch on our costs and ability to remain flexible throughout the business.

The year was a very strong one for contract wins, with awards being boosted by contracts for New Build Jackup, New Build Offshore and Land Rig Services.

Significant project milestones during the year included the contract award from Greatship Global Energy Services, Singapore, announced in February 2011. This award was an early indicator of the strength of the jackup rig market throughout the year; strength that was further demonstrated both by the exercise by the National Drilling Company, Abu Dhabi, of its option for the construction by Lamprell of two LeTourneau Super 116E Class jackup rigs valued at USD 333m, and the contract award by Jindal Pipes (Singapore) also for a LeTourneau Super 116E Class jackup rig.

The USD 41m contract with Weatherford Drilling International, announced in March 2011, for the engineering, construction and delivery of two 3000 HP land drilling rigs, was the largest yet for our Land Rig Services business, demonstrating the exciting opportunity to develop Lamprell's offering in this emerging regional market. Delivery of the rigs is scheduled for Q1 2012 and construction is almost complete at our Jebel Ali facility.

We were also pleased to announce in November 2011 the award, by Nexen Petroleum U.K. Limited, of two platform deck construction contracts for the Golden Eagle Development in the UK North Sea. The offshore fixed platform market remains strong and the Company is well positioned to benefit from that strength both regionally and internationally.

Acquisition of MIS

The acquisition of MIS, for a total consideration of NOK 1,869m (USD 338m), was completed on 13 July 2011, and was a transformational step for the Group. The acquisition expanded the breadth and depth of our service offering, our customer base, the geographical range of our operations and consolidated Lamprell's position as a regional leader in the new build jackup rig market. Additionally, the significant increase in resources and expertise also further enhances our position for future profitable growth.

The acquisition of MIS was compelling both financially and operationally. We believe that this transaction will rapidly create value for our shareholders, and we anticipate that the transaction will be substantially earnings accretive in the first full year of ownership. As the enlarged Group moves forward we see both new business opportunities and operational and financial synergies, with cost synergies of USD 11m per year expected to be realised as planned. Lamprell now has over 925,000m^2 of yard space and 2.2km of quayside, making the Company one of the largest players within the Middle East region.

The strong complementary fit between Lamprell and MIS has enhanced our in-house engineering capabilities, providing extra capacity and key resources and adding a number of established businesses in target geographies. Lamprell is now able to pursue new opportunities through its enhanced resource and technical competence.

We see real competitive advantage in the Company's newly combined engineering offering and our ability to offer a vertically integrated service to our clients through conceptual engineering, process design engineering and detailed

USD 726m

Value of our order book at year end from repeat customers

Chief Executive's Review continued

engineering. This will help increase margins by removing the need to outsource process design engineering, and the enlarged Group now has greater access to new business in the downstream and onshore sectors.

Management initiated a detailed integration plan with an integration committee appointed involving senior representatives from both Lamprell and MIS in order to identify and maximise synergies. Following meetings of the committee the organisational structure of the enlarged Group was finalised and savings identified. Integration of the two companies has been largely completed, with the operational structure finalised and in place.

The physical relocation of the MIS management and finance teams has taken place and operationally the integration of yards is complete. Notably, the MIS facility in Sharjah has been integrated with the adjacent Lamprell yard.

The acquisition added over 4,000 people to our workforce which now totals 14,000 including labour supply personnel, and it is to the great credit of all our staff that the integration process has proceeded smoothly.

The Board

In April, Jonathan Cooper was appointed as Chief Financial Officer, bringing with him extensive experience in the oil and gas sector. Jonathan took up his position in October, and I am certain he will make a very valuable contribution in the coming years. I am pleased that Scott Doak, Jonathan's predecessor, has decided to remain with the Company in the new role of Integration and Development Director.

We were delighted to welcome Christopher Hand, Chief Operating Officer, to the Board in January 2011.

Market overview

The Company has a record bid pipeline which at the end of February 2012 amounted to USD 5.2bn. The increase in activity levels in the new build jackup rig market that was seen in 2010 continued into 2011, and that market segment remains buoyant. With eight jackup rigs currently under construction Lamprell has become one of the leading builders in the world. As the search for oil & gas becomes increasingly more technically demanding, rigs that can drill 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. In this regard, the Company is actively looking to construct the next generation of much larger, higher specification, jackup rigs to meet these technological challenges.

As previously reported, we experienced a slowdown in the rig refurbishment market in the second half of 2010 but there are now encouraging signs of renewed activity triggered by a significant upturn in the Saudi Arabian market. We continue to see significant potential for Lamprell in the liftboat market for both the oil & gas and renewables sectors in the medium and longer terms 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 Land Rig Services 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.

The current trend in high oil prices underpinned by persistent supply side concerns and exacerbated by geopolitical production constraints continues to support significant investment in offshore development projects internationally and particularly in the Middle East region. Lamprell, with its experience and well established track record in offshore process fabrication, is well positioned to take advantage of the opportunities that will arise in this sector.

Dividend

The Board of Directors is recommending a final dividend payment of 8.00 cents per ordinary share. This will be payable, when approved, on 22 June 2012 to eligible shareholders on the register at 25 May 2012.

Outlook

We continue to see high levels of enquiries for our services in most sectors of our business. While remaining vigilant with regard to the risks posed by the volatile global economic climate, the Board remains optimistic that the long term prospects of the Group continue to be promising.

The Board remains optimistic that the long term prospects of the Group continue to be promising.

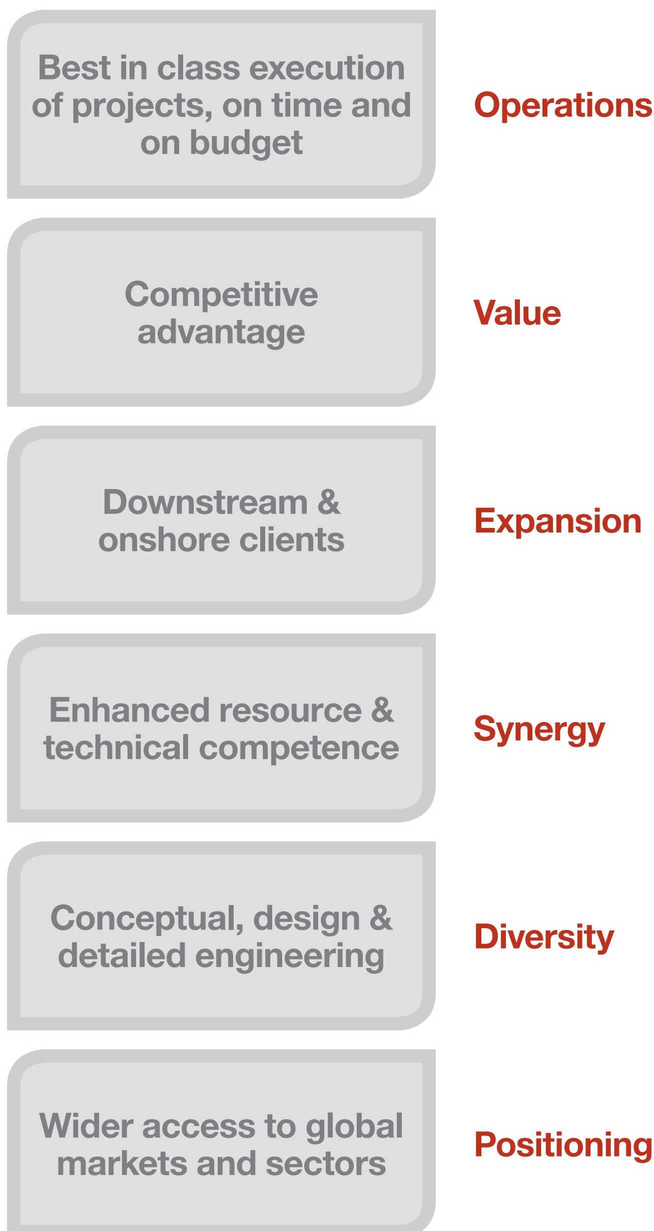
To underline our growth record it is worth highlighting that this is the first time in the Company's history that the annual revenue has exceeded USD 1bn, in fact totalling USD 1.15bn. Ten years ago in 2002 the Company turned over USD 80m and in 2006, the year of our AIM listing, we turned over USD 330m; percentage increases of 1,333% and 248% respectively. With the business opportunities currently available to us, we look forward to continued growth with confidence.

Finally, 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. Following the acquisition of MIS, Lamprell now has over 14,000 employees including labour supply personnel, and everyone has played their part in the success of the Company. On a final note, I would like to thank, as ever, our founder and President, Steven Lamprell, for his continuing encouragement and support.

Nigel McCue
Chief Executive Officer

USD 1,098m
New contract awards

Lamprell business model



Review of Operations
Christopher Hand

The successful acquisition of MIS made 2011 a transformational year for Lamprell from an operating perspective.

The successful acquisition of MIS in July and the large number of major project awards made 2011 a transformational year for Lamprell from an operating perspective. Post acquisition, the Group's facility capacity increased by 68% to over 925,000m^2 including, 2.2km of quayside. In addition, the enlarged Group employs over 14,000 people, including labour supply personnel, management, administration, operational personnel and field staff. This enlarged capacity and increased resource enables the Group to improve operational efficiency and positions the Company for continued growth.

Lamprell continues to place the highest priority on maintaining high standards of project execution, with a particular emphasis on safety, high quality standards and delivering projects on time and on budget.

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

Post the acquisition, a great deal of focus has been placed on the successful integration of the enlarged Group's facilities and business. As well as the physical integration of the extended Sharjah facility, this process has focused on the organisation structure, the implementation of the Company's management systems, marketing and business development, the extension of the ongoing ERP implementation programme and securing planned synergies. The integration process has proceeded extremely well and will be completed in 2012.

Throughout 2011 and the start of 2012 the Group has maintained its focus on Health, Safety and Environmental ("HSE") issues. The Group has the following HSE certification which is founded on a Group HSE policy and detailed procedures:

> ISO 14001:2007 for the Jebel Ali facility
> OHSAS 18001:2007 for the Jebel Ali facility
> OHSAS 18001:2007 for the Hamriyah Free Zone facility – obtained in 2011
> OHSAS 18001:2007 for the Sharjah facility

Lamprell has a Group Quality department with quality assurance and quality control personnel located at each facility. The Lamprell Group is certified to ISO 9001:2008 Quality Management System standard and various American Petroleum Institute ("API") and American Society of Mechanical Engineers ("ASME") standards.

Lamprell's Hamriyah, Sharjah & Jebel Ali facilities are certified to ISO 9001:2008 standard and the Land Rig Services group is certified to ISO 9001:2008, ISO 29001, API Q1, monogram licence for API spec 2B, 2C, 4F, 5CT, 6A, 7-1, 7K, 8C, 16A, 16C & 16D. Compliance with these standards assures our customers that we have the capability to execute projects in accordance with their specifications and requirements and the Company was successfully audited in 2011 to ensure that we are adhering to these standards.

The strength of Lamprell's operations is reflected in the order book which was at a record high of USD 1,215m at the year end and included USD 489m from new customers and USD 726m from repeat customers.

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

> Oil & Gas
  – New Build Jackup Drilling Rigs
  – New Build Offshore
  – Engineering & Construction
  – Rig Refurbishment
  – Land Rig Services

> Renewable Energy
  – Wind Farm Installation Vessels

> Services
  – Inspec (NDT, Mechanical & Calibration Services)
  – Engineering Services
  – Sunbelt (H_2s Safety Services)
  – Operations & Maintenance

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

New Build Offshore Drilling Rigs

At the beginning of the year Lamprell was executing three new build offshore drilling rig projects and subsequently secured contracts for an additional five units. Therefore at the close of the year the Group was constructing a total of eight jackup rigs.

These projects are under construction at the Hamriyah and Sharjah facilities.

NDC S116E jackup drilling rigs

Lamprell signed the contract with the National Drilling Company, Abu Dhabi ("NDC") to construct two LeTourneau S116E jackup drilling rigs in July 2010. The engineering and procurement phases of this contract are now substantially complete and the construction of both units at the Hamriyah facility is well advanced.

The first rig, "Makasib", was loaded out in October 2011 and the cantilever and remaining leg sections have subsequently been installed. The rig is now undergoing final commissioning and will be delivered in Q2 2012.

Construction of the second rig, "Muhaiyimat", is also proceeding to plan and the rig was loaded out in January 2012. Construction and subsequently final commissioning will continue until delivery later in 2012.

In October 2011, NDC exercised options for two further LeTourneau Super 116E rigs. Engineering and procurement activities are ongoing and both rigs will be constructed at the Hamriyah facility, with delivery scheduled in 2014.

Review of Operations
continued

Eurasia Drilling Company Limited ("EDC") S116E jackup drilling rig
Lamprell signed a contract with EDC in November 2010 for a new build LeTourneau S116E jackup drilling rig to be delivered to EDC in the Caspian Sea. The construction plan for this project is to build the rig hull in modules which, together with other primary rig components including the legs and cantilever, will be transported to the Caspian Sea through the Volga-Don canal.

The modules and other rig components have been under construction throughout 2011 at the Hamriyah facility and the first of four shipments to the Caspian Sea commenced in March 2012.

The rig will be assembled at a facility in Astrakhan, Russia and delivery is scheduled for 2013.

Greatship Global Energy Services Pte. Ltd ("Greatship") S116E jackup drilling rig
The first new build jackup award of 2011 was secured with Greatship in February to build a LeTourneau designed rig to operate in water depths of up to 350 feet.

The engineering and procurement phase of the project is well advanced and the construction is proceeding at the Hamriyah facility. The rig will be loaded out in Q3 and delivered during Q4 2012.

Jindal Pipes (Singapore) Pte. Limited ("Jindal") S116E jackup drilling rig
Lamprell was awarded a new contract in November 2011 from Jindal for the construction and delivery of a completely outfitted and equipped, LeTourneau Super 116E design rig. The rig is designed to operate in water depths of up to 350 feet and will have a rated drilling depth of 30,000 feet. The engineering and procurement phase of the project is well advanced and the construction is proceeding at the Hamriyah facility. The rig will be delivered in Q4 2013.

Compañía Perforadora Mexico S.A.P.I. DE C.V. ("PEMSA") Hull 108 Super M2 jackup drilling rig
In December Lamprell successfully negotiated a contract with PEMSA, a subsidiary of Grupo Mexico, for the construction and delivery of Hull 108, a completely outfitted and equipped, Friede & Goldman designed Super M2 self-elevating Mobile Offshore Drilling Platform.

Hull 108 had been partially constructed by MIS at the time of its acquisition by Lamprell in July 2011 and the project had been suspended pending a contract award. Lamprell will complete the construction of the jackup rig at the Sharjah facility, with delivery scheduled for Q2 2012.

Review of Operations continued

New Build Offshore

The new build offshore segment of Lamprell operations covers a wide range of projects including:

> liftboats;
> tender assist drilling barges;
> MOPUs and process barges;
> offshore drilling rig components and accessories;
> floating offshore facilities;
> living quarters;
> offshore hook-up;
> process modules;
> offshore fixed structures; and
> mooring systems and turrets.

In Q1 2011, the group delivered the final Aquila process module for Saipem Energy Services S.p.A. and two offshore wellhead platforms with associated jackets and piles were also delivered to a leading Indian oil & gas operator. These projects were executed at the Jebel Ali facility.

Offshore topside structure

Work continues in Jebel Ali on the construction of an offshore topside structure comprising of a two-level utility deck and five level accommodation module for 38 personnel for a leading integrated energy provider. The project is being constructed to North Sea standards and is currently scheduled for delivery alongside the Jebel Ali quay in Q2 2012.

Nexen Petroleum U.K. Limited ("Nexen") wellhead deck and Production, Utilities and Quarters ("PUQ") deck

In November, Lamprell announced that it had been awarded two new construction contracts by Nexen in relation to the Golden Eagle Development in the UK North Sea, with a total contract value in excess of USD 200m.

The first contract comprises a two-level wellhead deck, measuring approximately 50 metres by 50 metres and weighing 4,000 tonnes. The wellhead deck will be constructed at Lamprell's Jebel Ali yard, and is scheduled for completion in Q2 2013.

The second contract is for a three-level Production, Utilities and Quarters ("PUQ") Deck, measuring 85 metres by 40 metres and weighing 10,000 tonnes. The PUQ Deck will also be constructed at Lamprell's Jebel Ali facility and is scheduled for completion in Q2 2014. The construction phase of both contracts has commenced and is proceeding to schedule.

Leighton Offshore Pte Ltd ("Leighton") topsides and jackets

In February 2012, Lamprell was awarded a USD 62m contract by Leighton, a Singapore based company, for the fabrication of two topsides and jackets with metering skid and associated piping in connection with the Iraq crude oil export facility reconstruction.

The work will be performed at Lamprell's enlarged Sharjah facility and are currently scheduled for delivery in Q4 2012.

Engineering and Construction ("E&C")

Lamprell E&C offers the combined expertise of Lamprell and MIS, providing fully integrated engineered solutions to the onshore and offshore oil & gas and renewable energy sectors. The group is structured to deliver projects in the UAE, GCC, Iraq and North Africa.

Onshore projects include the development and upgrade of gas plants/refineries and production facilities and offshore projects include jackets and decks, as well as process modules.

A number of projects were executed in 2011 including both onshore and offshore site works for clients including Rak Petroleum Oman Ltd, Apina Middle East, Geo Energi, Petrofac and RAK Gas.

In addition, the group engineered, constructed and delivered multiple pressure vessels and columns from its Sharjah facility.

Lamprell believes there is an opportunity to significantly expand the scope and scale of the E&C business and this is an area of strategic focus in 2012.

Upgrade and Refurbishment of Offshore Jackup Rigs

Lamprell worked on a total of 43 jackup rigs throughout the year, for clients including Millennium Offshore Services, Nabors Drilling International Ltd., National Drilling Company, Noble International Ltd., and RDC Arabia Drilling Inc., 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 17 jackups and the Sharjah facility working on 26 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. Typical upgrade and refurbishment projects include some of the following work scope:

- 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.

Land Rig Services

Land Rigs Services include all projects and services related to onshore drilling rigs, oilfield service companies and drilling equipment refurbishment for land and offshore rigs. The Land Rig Services group operates from API accredited facilities in Hamriyah, Jebel Ali, Dubai Investment Park and Kuwait and also provides field services as required. Project types include:

- new build land rigs;
- land rig refurbishment, upgrade and recertification;
- land and offshore drilling rig rotary equipment inspection and overhaul;
- engineering and fabrication of structural and piping packages, machined items and BOP testing and recertification;
- land camp construction and refurbishment; and
- site deployment of personnel.

Weatherford Drilling International (BVI) Ltd ("Weatherford") 3000 HP land drilling rigs

In March 2011, Land Rig Services secured the largest contract awards to date for the business, as Weatherford signed contracts for the engineering, construction and delivery of two 3000HP land drilling rigs, with a total contract value of USD 41m.

Lamprell constructed the rigs at its facility in Jebel Ali.

Review of Operations
continued

Post acquisition, the Group's facility capacity increased by 68% to over 925,000m^2, including 2.2km of quayside.

Wind Farm Installation Vessels

In October 2011, having substantially completed the detailed design phase of the fixed price wind farm installation vessel projects, two for Fred. Olsen Windcarrier and one for Seajacks 3 Ltd ("Seajacks"), the Company made a provision amounting in aggregate to USD 14.3m based on a detailed cost to complete exercise. The prototype nature of these vessels and the resulting evolution of the design and detailed engineering was identified as the primary cause of the increased costs. This issue was restricted to these projects and similar issues do not affect other ongoing projects.

Fred. Olsen Windcarrier

Construction of the two GustoMSC NG-9000 design self-elevating and self-propelled offshore wind turbine installation vessels, ordered by Fred. Olsen Windcarrier in February 2010 continued at the Jebel Ali facility throughout 2011. The first vessel "Brave Tern" was successfully loaded out in February 2012 and will be delivered in Q2 2012. The load out weight of 12,200 tonnes is the heaviest vessel land move ever to take place in the Middle East and one of a few worldwide. The second vessel "Bold Tern" will be delivered in Q3 2012.

Seajacks

Following the successful delivery on time and on budget in 2009 of the wind farm installation vessels, "Seajacks Kraken" and "Seajacks Leviathan", Lamprell secured a USD 129.0m 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 farm installation vessel. Construction continued throughout 2011 and the rig was successfully loaded out in January 2012, with delivery scheduled for Q2 2012.

Service businesses

Lamprell operates a number of service businesses that provide services to external clients and throughout the Group.

International Inspection Services Ltd. ("Inspec")

Inspec is predominantly engaged in the supply of inspection personnel and equipment for heat treatment and non-destructive testing services to the oil & gas, district cooling and other infrastructure-intensive industries, including desalination and energy. Inspec also provides mechanical and chemical analysis and calibration services. Inspec employs over 600 operatives and its primary markets of operation are currently the UAE, Oman, Bahrain, Saudi Arabia and Kurdistan.

Engineering Services

Lamprell's Engineering Services group provides a range of engineering solutions from concept engineering, front end engineering and design, design engineering to detailed and construction engineering. These services are delivered by a team of experienced multi-discipline engineers and designers using the latest engineering software and 3D modelling techniques. The group offers services including process, mechanical, electrical & instrumentation, piping and structural engineering.

This service is provided by Lamprell's core engineering team and Litwin PEL, which is established in Abu Dhabi and was acquired as part of the MIS acquisition. Litwin offers E&C and multi-disciplinary engineering services to the oil & gas industry and to the chemical & petrochemical sectors. In addition, Litwin provides technical assistance to many of the national operating companies in Abu Dhabi and to a considerable number of private companies in the oil & gas industry throughout the Middle East.

Review of Operations continued

Recent projects executed by the Engineering Services group include engineering services for ADCO (Abu Dhabi Co. for Onshore Oil Operations) and BOROUGE (Abu Dhabi Polymers Company Limited).

Sunbelt

Lamprell's Sunbelt H_2S safety services group provides complete safety solutions to its clients through a range of specialised products and services. As an authorised distributor for a number of safety equipment manufacturers, Sunbelt ensures that it offers products that adhere to British, European and US standards. Sunbelt also provides technical consultancy services and support specialised in the detection and handling of the highly toxic H_2S gas.

In 2011, Sunbelt undertook contracts in a number of countries including the United Arab Emirates, Qatar, Saudi Arabia, Iraq and Kazakhstan.

Operations & Maintenance ("O&M")

Lamprell's O&M business has a proven record of excellent performance and service, with a core workforce of over 500 tradesmen and administrative personnel supplemented by field staff from the Lamprell Group.

O&M provides manpower, equipment and materials supply services to a diverse customer base at oil & gas and petrochemical facilities and plants, drilling rigs, offshore facilities, marine docks and marine vessels.

Contracts in 2011 included the provision of manpower and equipment rental to customers including Dubai Natural Gas Co. ("Dugas") and Dubai Petroleum Est. ("DPE").

MIS Arabia Co. Ltd ("MISA")

Lamprell is pleased to support its joint venture facilities in Jubail Industrial City in the Kingdom of Saudi Arabia. MISA focuses on the fabrication of process equipment and the provision of operation & maintenance services.

2011 was a busy and successful year for MISA and we look forward to ongoing success in 2012.

Human resources

The enlarged Group employs over 14,000 people, including management, administration, labour supply personnel, operational and field staff and the integration of over 4,000 MIS personnel was a key objective for Lamprell in 2011 and remains an area of focus in 2012.

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 an important 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.

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.

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.

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.

At Lamprell, we consider our employees to be an important asset and the continuous development and multi-skilling of our staff remains a focus for our success.

Operating facilities

The structured capital investment programme at all facilities continued throughout 2011. 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 acquisition of MIS substantially increased yard space capacity, adding 375,000m² of yard capacity and 400 metres of quayside, with the enlarged Group now operating from 925,318m² of yard space and 2.2km of quayside.

The main facilities added by the acquisition are in Sharjah and Dubai. The 174,000m² Sharjah facility has been integrated with Lamprell's existing Sharjah facility, and is equipped with extensive open and covered fabrication areas, support facilities and workshops. The additional yard space provided by the acquisition is of material value to Lamprell as it would take a number of years and significant capital expenditure to develop such a facility organically. The 30,000m² facility in Dubai Investment Park is currently used to service land drilling rig contracts.

Improvements to the Hamriyah facility continued during 2011 and, following over three years of construction and an investment of over USD 75m, the facility was officially inaugurated in October. The event was attended by Lamprell's customers, partners and dignitaries, including His Highness Sheikh Dr. Sultan bin Mohammed Al Qassimi, Supreme Council Member and Ruler of Sharjah and Mr. Steven Lamprell.

With an area covering 365,000m² and a quayside of over 1.4km, the Hamriyah facility is one of the region's foremost facilities for the manufacture of oil & gas assets, with capacity to accommodate more than 10 jackup rigs simultaneously at the quayside and multiple new build rigs and structures in various stages of construction within the yard itself.

The facility will continue to focus on the construction of new build jackup rigs, wind farm installation vessels, liftboats and rig refurbishment projects. The facility is fully API-accredited and hosts a main administration building which accommodates over 700 administration staff, a client office, several workshops and warehouse space.

Christopher Hand
Chief Operating Officer

Risk Assessment
Identification & management

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

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

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

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

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

Financial Review
Jonathan Cooper

Group revenue increased to USD 1,147.9m largely driven by new build activity, upgrade and refurbishment and service business.

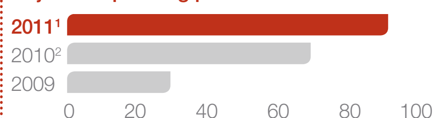
Results for the year from operations

Group revenue increased by 127.8% to USD 1,147.9m (2010: USD 503.8m) reflecting an increase in activity from the prior year. The increase was largely driven by a higher level of revenue generated from the new build activity, and to a lesser extent an increase in the revenues from upgrade and refurbishment activities and from its service business.

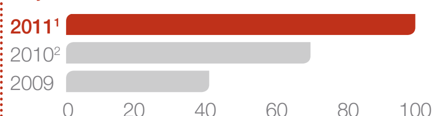
Revenue generated from new build projects increased by 282.3% to USD 789.7m (2010: USD 206.6m). Revenue in 2011 largely reflects the ongoing work on eight new build jackups, three liftboats for the offshore wind farm installation sector and two land rigs. The contract award from PEMSA for the construction of Hull 108 in December 2011 allowed the Group to transfer this asset from inventory to contract work-in-progress, and to recognise revenue and profit in line with the percentage of completion of the project. This revenue and profit had not been previously recognised, despite the high level of completion of the project, as Hull 108 was not contracted to a customer. Revenue from jackup rig upgrade and refurbishment activity increased over the prior year, with a higher level of average expenditure per rig.

Revenue from Land Rig Services, related to the refurbishment and construction of land rigs, reflected an increase over the prior year predominantly resulting from the ongoing work building two 3000HP land drilling rigs for Weatherford. Other revenue increased to USD 114.6m (2010: USD 16.5m) primarily due to the addition of the Group's new revenue streams including E&C activities and service business.

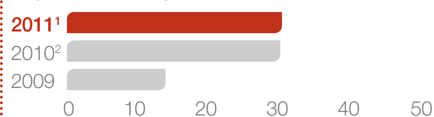
Adjusted operating profit USDm



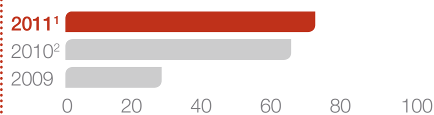
Adjusted EBITDA USDm



Adjusted Earnings per share US cents



Adjusted Net profit USDm



1 Adjusted for USD 10.5m of exceptional charges incurred in connection with the acquisition of MIS
2 Includes USD 20.4m one-off gain in relation to Riginvest and excludes one-off USD 1.4m loss arising from the closure of Lamprell Asia Limited.

Selected Financial Data

	2011 (USDm)	2010 (USDm)	Change
Revenue	**1,147.9**	503.8	127.8%
Gross profit	**132.9**	79.7	66.8%
Gross profit margin	**11.6%**	15.8%	
Adjusted EBITDA	**100.8**	78.4	28.5%
Adjusted EBITDA margin	**8.8%**	15.6%	
Adjusted operating profit	**90.2[1]**	69.5[2]	29.8%
Adjusted operating profit margin	**7.9%**	13.8%	
Adjusted net profit	**73.8[1]**	66.6[2]	10.8%
Adjusted net margin	**6.4%**	13.2%	
Net profit	**63.3**	65.2	(2.9%)
Net profit margin	**5.5%**	12.9%	
Adjusted diluted earnings per share	**30.88c**	30.67c	0.7%
Net debt/(cash)	**101.7**	(210.2)	

1 Before USD 10.5m of exceptional charges.
2 Includes USD 20.4m one-off gain in relation to Riginvest and excludes one-off USD 1.4m loss arising from the closure of Lamprell Asia Limited.

Gross profit increased by 66.8% to USD 132.9m (2010: USD 79.7m) resulting in a gross margin of 11.6% (2010: 15.8%). The decline in gross margin was primarily due to the performance of the Group's three fixed price windfarm liftboat projects. A provision of USD 14.3m was taken against these projects as previously announced. The gross margin on rig refurbishment was in line with the margin achieved in 2010.

The adjusted operating profit for the year increased by 29.8% to USD 90.2m (2010: USD 69.5m), before exceptional charges of USD 10.5m. Exceptional charges in 2011 reflect certain transaction costs associated with the acquisition of MIS of USD 10.5m including financial advisory, due diligence and legal fees and a one-off post acquisition charge for the MIS employee share options that were bought out as part of the MIS acquisition. The 2011 adjusted operating profit margin was 7.9% compared to the prior year margin of 13.8%. This decline in year on year adjusted operating profit margin before exceptional charges largely due to the impact of the negative margin arising from the liftboat projects, an additional USD 3.8m of amortisation relating to the MIS intangible assets that were identified and fair valued post acquisition, and the inclusion of a one-off net gain in 2010 related to the cancellation of the contract with Riginvest G.P. amounting to USD 20.4m.

Adjusted EBITDA, before exceptional charges, increased to USD 100.8m (2010: USD 78.4m) a rise of 28.5% over the prior year. The adjusted EBITDA margin before exceptional charges declined from 15.6% to 8.8% in 2011 reflecting the operating performance of the business.

Adjusted net profit, before exceptional charges, increased by 10.8% to USD 73.8m (2010: USD 66.6m) in line with the operating profit and also reflects increased net finance costs in the current year of USD 16.2m (2010: USD 2.9m). These largely arise as a result of increased facility and interest charges related to the MIS acquisition facilities and increased facility and guarantee charges related to new contract awards in the year. The adjusted net profit margin, before exceptional charges, of 6.4% (2010: 13.2%) reflects the

Financial Review continued

increased net finance costs and the operational performance of the business.

Net profit for the year attributable to equity shareholders was USD 63.3m (2010: USD 65.2m), a decrease of 2.9%.

Interest income

Interest income of USD 1.8m (2010: USD 2.2m) relates mainly to bank interest earned on surplus funds, margin deposits and fixed deposits maintained against guarantees. The decrease reflects a lower level of average cash balances during the year when compared to 2010.

Taxation

The tax charge of USD 0.2m arising in 2011 is in respect of tax on the Group's service operations in Kazakhstan and Qatar. 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 on these operations in the foreseeable future. The Company, which is incorporated in the Isle of Man, has no income tax liability for the year ended 31 December 2011 as it is taxable at 0% in line with local Isle of Man tax legislation.

Earnings per share

Fully diluted adjusted earnings per share, before exceptional charges, amounts to 30.88 cents for 2011 (2010: 30.67 cents) reflecting the operational performance of the Group for the year. The comparative figures for earnings per ordinary share have been restated for the bonus element of the June 2011 rights issue in line with IAS 33.

Operating cash flow and liquidity

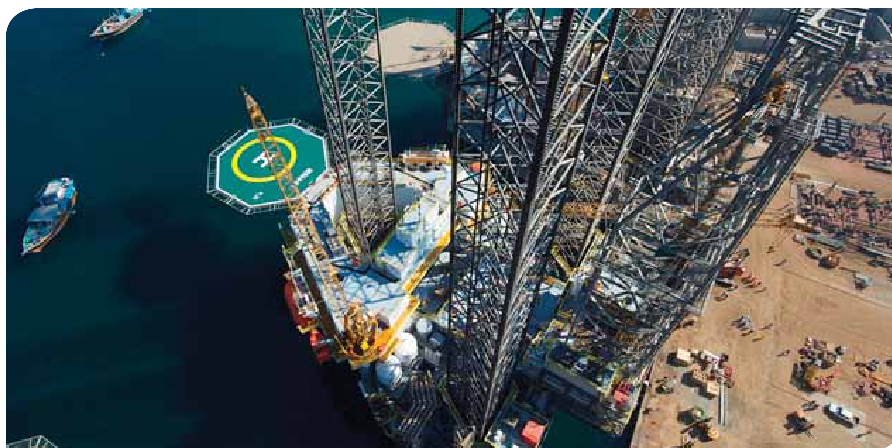
The Group's net cash flow from operating activities for the year reflected a net outflow of USD 54.7m (2010: USD 232.8m net inflow). Prior to working capital movements the Group's net cash inflow was USD 105.2m (2010: USD 65.9m). The negative working capital movement was largely driven by an increase in trade and other receivables, and was offset to a lesser extent by a decrease in trade and other payables and a reduction in inventory as a result of the contract award for Hull 108. The significant increase in trade and other receivables largely arose from increased amounts due from customers at 31 December 2011 amounting to USD 386.2m (2010: USD 58.0m). This reflects the increase in the number of ongoing EPC projects at the year end and, in particular, two new build projects where the majority of the payment will be received upon delivery in 2012.

Net cash used in investing activities totaled USD 408.8m (2010: USD 99.4m), primarily comprising the MIS purchase consideration (net of cash acquired) of USD 322.2m (2010: Nil), USD 55.5m (2010: USD 29.7m) of fixed asset additions, and USD 32.1m (2010: USD 63.8m) of margin deposits and deposits greater than three months. The fixed asset additions were mainly in relation to the ongoing development at the Hamriyah facility that was formally opened in October 2011, and the purchase of operating equipment.

Net cash generated from financing activities reflected an amount of USD 371.1m (2010: USD 46.3m used in financing activities). This largely arose from net proceeds from the issue of share capital of USD 216.6m (2010: Nil) and an increase in borrowings of USD 199.4m (2010: USD 22.5m decrease) both used to finance the MIS acquisition, increased finance costs of USD 18.0m (2010: USD 5.1m) largely arising as a result of facility and guarantee charges related to new contract awards in the year and dividend payments of USD 29.3m (2010: USD 15.2m).

Capital expenditure

Capital expenditure on property, plant and equipment during the year amounted to USD 55.5m (2010: USD 29.7m). The main area of expenditure was the investment In buildings and related infrastructure at Group facilities amounting to USD 26.0m (2010: USD 20.2m), including capital work-in-progress, with additional committed expenditure amounting to USD 18.7m, 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 9.9m (2010: USD 8.6m) to support the growth in activities experienced during the year and to replace hired equipment, where this was deemed cost effective, and to upgrade a semi-submersible barge acquired during the year.



Balance sheet
Total non-current assets increased to USD 417.1m (2010: USD 125.1m), driven by a USD 62.1m increase in property, plant and equipment and a USD 228.4m increase in identified intangible assets. The increase in intangible assets arose primarily on the MIS acquisition, of which goodwill accounts for USD 180.5m and intangible assets represent USD 50.0m. Trade and other receivables increased to USD 668.8m (2010: USD 251.1m), this reflects the increase in the number of ongoing new build projects at the year end and, in particular, the two new build projects, Zaratan and Hull 108, where the majority of the payment will be received upon delivery in 2012.

The year end net debt was USD 101.7m (2010: net cash USD 210.2m) arising as a result of the borrowings required to finance the MIS acquisition and the additional utilisation of facilities to fund the increased number of new build projects. Upon delivery of Zaratan and Hull 108, expected during 2012, the Group is required to use a proportion of the final payments to retire some of the MIS acquisition facilities.

Shareholders' equity increased from USD 284.0m at 31 December 2010 to USD 533.9m at 31 December 2011. The movement arises as a result of total comprehensive income for the year of USD 61.4m (2010: USD 65.8m) and total transactions with shareholders of USD 188.5m (2010: decrease of USD 16.6m), which mainly includes proceeds from shares issued of USD 216.6m, partly offset by dividend payments of USD 29.3m.

Dividends
For the year ended 31 December 2011, 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 2012, recommends a final dividend of 8.00 cents per share. If approved this will be paid to shareholders on 22 June 2012 provided they were on the register on 25 May 2012.

Jonathan Cooper
Chief Financial Officer

Board of Directors
A wealth of experience

The Lamprell Board of Directors represents a strong combination of industry-specific, regional and operational experience, supported by the diverse professional skills and experience of the Non-Executive Directors. The Company is delighted to welcome Deena Mattar (with effect from 1 April 2012) and Jonathan Cooper to the Board of Directors, further enhancing the Board's skills, experience and diversity.

1 Jonathan Silver (59)
Chairman
Jonathan Silver was appointed to the Board on 24 August 2007 and as the Chairman of the Company on 27 March 2009. He is also a member of the Nominations Committee. 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 business in the region, creating the largest operation of any international law firm with a presence 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 been associated with the Lamprell Group for more than 20 years before joining the Board, providing legal advice on numerous matters including on the Company's listing on AIM and its move to the Official List. Jonathan is currently a Director of Tri-Emirates Property Corporation and Tri-Emirates (PW2) Limited.

2 Nigel Robert McCue (60)
Chief Executive Officer
Nigel McCue was appointed to the Board on 7 July 2006 as Non-Executive Director and was appointed to the Executive position of Chief Operating Officer in May 2008. In May 2009 he was appointed to the position of Chief Executive Officer of the Company. Nigel has over 35 years of experience in the petroleum industry and, prior to being appointed as the Chief Operating Officer of Lamprell, he was a Director and the Chief Executive Officer of Jura Energy Corporation, a company listed on the Toronto Stock Exchange, and is now the Chairman and a member of the Compensation Committee of that company. He is also a Director of Nemmoco Petroleum Limited, a private exploration and production company. 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 and a number of directorships of publicly listed companies. Nigel is the Senior Independent Non-Executive Director of Dragon Oil plc, where he is the Chairman of its Audit Committee and a member of the Remuneration and Nomination Committees.

3 Jonathan Cooper (43)
Chief Financial Officer
Jonathan Cooper joined Lamprell as Chief Financial Officer in October 2011. Jonathan is responsible for the finance and administration activities of Lamprell. Prior to joining Lamprell he worked for Sterling Energy plc in the position of Finance Director and Company Secretary. Previously, he worked at Gulf Keystone Petroleum Limited as Finance Director and Company Secretary, and at Dresdner Kleinwort Wasserstein as a Director in the Oil and Gas Corporate Finance Team where he worked on mergers and acquisitions, public offerings and as a strategic adviser to a wide range of companies. He began his career with KPMG where he completed his accountancy training. Jonathan is a Fellow of the Institute of Chartered Accountants of England and Wales and has a PhD in Mechanical Engineering from the University of Leeds.

4 Christopher Hand (41)
Chief Operating Officer

Christopher Hand joined Lamprell in 1996 and was appointed Chief Operating Officer in March 2010 and to the Board on 26 January 2011. Christopher is responsible for the operating activities of Lamprell. Prior to this appointment Christopher held a number of positions in Lamprell's commercial department, including Vice President Commercial from December 2006 to March 2010. Prior to joining Lamprell, Christopher 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 (67)
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. Colin was the former Chairman of Dana Petroleum plc and Parkmead Group plc and is the Chairman of Sindicatum Sustainable Resources Ltd. and Golden Horde Ltd. and is a board member of Habitat for Humanity, Australia. 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 (57)
Non-Executive Director

Richard Raynaut was appointed to the Board on 7 July 2006. Richard has been involved in the oil & gas industry since 1977 when he was appointed as an accountant at IHC Caland. He Chairs the Audit Committee of the Company and is a member of the Nomination and Remuneration Committees. 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 (60)
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 10 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 2011. Lamprell plc is the holding company of the Group and it was 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 diversified engineering and contracting products and services to the onshore and offshore 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 2011 are as set out on pages 53 to 99. The Group net profit for the year amounted to USD 63.3m (2010: USD 65.2m).

The Directors recommend a final dividend of 8.00 cents per ordinary share with a Sterling equivalent of 5.03 pence per ordinary share which, if approved, will be paid on 22 June 2012 to eligible shareholders on the register at 25 May 2012. The Company paid an interim dividend of 4.00 cents (2.42 pence) per ordinary share during the year.

There was a transfer of USD 35.2m (2010: USD 48.6m) to retained earnings for the year ended 31 December 2011 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 pages 58 to 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 6 to 7, the Chief Executive Officer's Statement on pages 12 to 15, the Operations Review on pages 16 to 25, and the Financial Review on pages 28 to 31.

Corporate governance and corporate social responsibility

The Corporate Governance Report on pages 37 to 41 and the Corporate Social Responsibility Report on pages 51 to 52 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 2011 can be found in the Directors' Remuneration Report on pages 42 to 50.

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 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. At the Company's 2012 AGM all current executive and non-executive directors will retire and seek re-election, with the exception of Richard Raynaut who will retire and not seek re-election.

The Directors who served in office during the financial year were as follows:
Jonathan Silver
Nigel McCue
Scott Doak (Retired 30 October 2011)
Colin Goodall
Richard Raynaut
Brian Fredrick
Christopher Hand (Appointed 26 January 2011)
Jonathan Cooper (Appointed 30 October 2011).

Directors' interests

The Directors' interests in the Ordinary Shares of the Company are set out in the Directors' remuneration report on pages 42 to 50.

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 27 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 45 to 46 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	
	2011	2010	2011	2010
Lamprell plc Free Share Award Plan	Nil	299,000	Nil	342,000
Lamprell plc Retention Share Plan	Nil	Nil	Nil	600,000
Lamprell plc Executive Share Option Plan	Nil	Nil	660,635	660,635*
Lamprell plc Performance Share Plan	377,960	552,873*	930,833	552,873

* Number reflects adjustment for the dilutive effect of the May 2011 rights issue.

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 449,734 (2010: 1,277,138) ordinary shares of 5 pence, representing 0.17% (2010: 0.64%) 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 2011 AGM to make market purchases of up to 20,000,000 ordinary shares of 5 pence. This authority will expire at the 2012 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 £3,900,000, 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 £650,000 representing approximately 5% of the current issued ordinary share capital of the Company. Similar authorities were given by the shareholders at the AGM in 2011 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.

As at 22 March 2012, 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
Lamprell Holdings Limited	86,234,127	33.12
Legg Mason Inc.	18,922,342	7.26
Standard Life Investments Ltd	17,641,666	6.78
Schroder Investment Management Ltd	16,931,038	6.50
Ignis Investment Services Ltd	12,720,501	4.89
J.P. Morgan Asset Management	12,415,375	4.76

Essential contracts

There are no individual contracts or other arrangements which are deemed essential to the Group's business.

Annual General Meeting

The Company's sixth Annual General Meeting ("AGM") as a listed public company will be held at Level 15, Rolex Tower, Sheikh Zayed Road, Dubai, United Arab Emirates on Thursday, 7 June 2012 at 12.00 noon (UAE time). The notice of meeting and explanatory notes 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 26 to 27.

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 (2010: Nil), and made charitable donations amounting to USD 62,000 (2010: USD 2,724).

Directors' Report (continued)

Auditors

As far as each Director is aware, there is no relevant audit information of which the Company's auditors are 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 Auditors are aware of that information.

The auditor for the year ended 31 December 2011 was PricewaterhouseCoopers. PricewaterhouseCoopers has expressed its willingness to continue in office as auditor and a resolution to reappoint 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 2011 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 41 to the Financial Statements.

By order of the Board

Justin Tyler
Company Secretary
23 March 2012

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 UK Corporate Governance Code (the "Code") as if the Company was incorporated in the United Kingdom.

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 2011 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 pages 32 to 33, 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 eight 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 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 is summarised in the table below:

Meeting description	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings	8	4	6	5
Jonathan Silver Chairman of the Company	8	n/a	n/a	n/a
Colin Goodall Senior Independent Non-Executive Director	8	4	6	5
Richard Raynaut Non-Executive Director	7	4	6	5
Brian Fredrick Non-Executive Director	8	4	6	5
Nigel McCue Chief Executive Officer	8	n/a	n/a	n/a
Christopher Hand Chief Operating Officer	8	n/a	n/a	n/a
Scott Doak[1] Chief Financial Officer	8	n/a	n/a	n/a
Jonathan Cooper[2] Chief Financial Officer	0	n/a	n/a	n/a

1 Scott Doak resigned as a Director on 30 October 2011.
2 Jonathan Cooper joined the Board of Directors on 30 October 2011 and there were no Board meetings held between that date and 31 December 2011.

Corporate Governance Report (continued)

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

Chairman and Chief Executive

Section A.2.1 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 B.1.1 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 deemed lack of independence on appointment, Jonathan Silver's role 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), comprises 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.

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 with 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. 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 Nomination, 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 Annual General Meeting. Any Director in office for more than three years at the start of an Annual General Meeting shall also retire. At the Company's 2012 AGM all current Executive and Non-Executive Directors will retire. All the Executive Directors and Non-Executive Directors will offer themselves for re-appointment in accordance with section B.7.1 of the Code, with the exception of Richard Raynaut who is retiring from the Board.

Directors' remuneration

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 42 to 50. The composition and working of the Remuneration Committee are explained under "Principal Board Committees" on page 39.

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.

In 2011 the Company adopted an Anti-Corruption and Bribery Policy.

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

Corporate Governance Report (continued)

Nomination Committee

The current members of the Nomination Committee are Colin Goodall, who acts as Chairman, Richard Raynaut, Brian Fredrick and Jonathan Silver. The Nomination 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 30 October 2011, Jonathan Cooper was appointed to the Board based on the recommendation of the Nomination Committee.

Deena Mattar has been appointed to the Board with effect from 1 April 2012 based on the recommendation of the Nomination Committee.

The Nomination Committee met (including meetings by conference calls) five times 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) six 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 34 to 36.

Internal audit

In March 2010, as per the Company's long term plan, an independent internal audit function was established within the organisation. 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.

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; and
- 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 Auditors

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 auditors, who retire at the end of the AGM and recommends their reappointment. The Board concurs with the recommendation of the Audit Committee.

During the year, the external auditors PricewaterhouseCoopers, were also engaged to provide tax advice in connection with the formation of a branch office in Russia, related to the execution of the EDC project, and as reporting accountant in connection with the acquisition of Maritime Industrial Services Co. Ltd. Inc. The Audit Committee, in accordance with the Policy on Auditor Independence adopted by the Group, and having considered the nature of work carried out believes that, whilst being cost effective, the appointment of the external auditors to provide this advice did not affect the objectivity, or the independence, of the external auditors.

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 Annual General Meeting. All Directors were present at the 2011 Annual General Meeting and all Directors intend to be present at the 2012 Annual General Meeting 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 2011.

We believe it is important to continue to foster shareholder confidence in the integrity of our remuneration decisions and, therefore, in 2011 we remained in dialogue with major shareholders regarding the remuneration packages offered to Executive Directors, seeking as in previous years to maintain executive remuneration 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 minor amendments to the terms of reference since the last Remuneration Report and the full terms of reference of the Committee are available on the Company's website – www.lamprell.com.

Members of the Remuneration Committee in 2011 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 description of current Lamprell Executive Remuneration including changes that have been agreed upon during 2011.

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 bonuses 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 met six times during this financial year. Items covered in the meetings included:

> 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.

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:

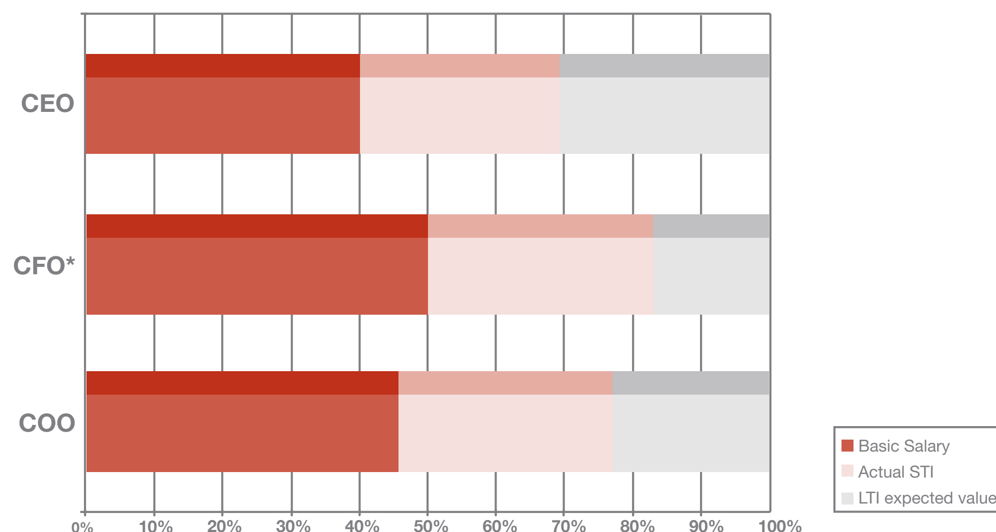
Component	Objective	Performance period	Performance measure	Delivery vehicle
Base salary	Reflect competitive market, level of responsibility and individual contribution to fulfilling role requirements	n/a	Normally reviewed annually taking into account individual performance, competitive positioning and 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

Directors' Remuneration Report (continued)

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 2011, the remuneration mix for Lamprell Executive Directors, including long term and short-term incentives ("LTI" and "STI" respectively) was as follows:



* Scott Doak retired from the Board of Directors with effect from 30 October 2011.

Elements of remuneration

Base salary

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

In 2011, following the 2010 review of base salaries, the Committee decided to continue to position base salaries to recognise the following:

> Lamprell positions pay at levels 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 considered 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 January 2011, and those that will apply from 1 January 2012.

Name	Position	Base salary from 1 January 2011	Base salary from 1 January 2012	% increase
Nigel McCue	Chief Executive Officer	$801,375	$841,444	5
Jonathan Cooper*	Chief Financial Officer	$400,000	$420,000	5
Scott Doak**	Chief Financial Officer	$472,153	n/a	n/a
Christopher Hand***	Chief Operating Officer	$400,000	$440,000	10

* Jonathan Cooper was appointed to the Board of Directors with effect from 30 October 2011.
** Scott Doak retired from the Board of Directors with effect from 30 October 2011.
*** Christopher Hand was appointed to the Board of Directors with effect from 26 January 2011.

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 2011 is shown in the summary annual remuneration table on page 48.

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 priorities for the year. In the 2011 plan year, payout of two thirds of the bonus was based on financial targets, with the remaining one third following dialogue with major shareholders, dependent on the achievement of personal objectives, representing a change from the previous 60/40 respective ratio. In setting financial targets, the Board focuses on key annual strategic objectives. For 2011, 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 the bonus dependent upon 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 2011 included, amongst other matters, enhancing HSES procedures and developing the senior staff team. The Committee evaluates executive performance against the individual bonus criteria in determining the level of bonus award to be made.

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 2011, 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. In accordance with the applicable policy, bonuses for 2011 were reduced as a result of a yard fatality which took place in December 2011.

2011 performance

In view of the Company's financial performance during 2011 the Committee has determined that the following bonuses will be paid:

Name	Maximum bonus as a percentage of salary	Bonus paid as a percentage of salary
Nigel McCue	100%	72.3%
Scott Doak	100%	64.8%
Jonathan Cooper	100%	67.1%*
Christopher Hand	100%	67.1%

*pro rata from date of appointment.

Long-term incentives

Reward and motivate executives for achievement of longer term value creation and align executive 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 2008 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 performance contingent awards of 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 base salary (150% of base 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).

Directors' Remuneration Report (continued)

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 2011 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 EPS targets for awards made in 2011 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 Company operates.

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 tenth anniversary of the date of grant. No awards were made to Executive Directors under this plan in 2011.

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 2011.

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; and
- 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.

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)	Twelve 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
Nigel McCue	16 May 2008	16 May 2008
Scott Doak	10 December 2006	1 March 2007
Christopher Hand	26 January 2011	26 January 2011
Jonathan Cooper	19 April 2011	30 October 2011

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 2011 Nigel McCue received £91,000 and Scott Doak received £11,025 in respect of these appointments.

Director	Current Directorships
Nigel McCue	Dragon Oil Plc Dragon Oil (Holdings) Limited Dragon Oil Limited Dragon Oil (Turkmenistan) Limited Dragon Resources (Holdings) 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 2011, such fees having last been reviewed in 2008, and determined to operate a fee structure with basic fees and additional fees for chairing a Committee of the Board, and the fees were increased in order to maintain a competitive market position. The table below sets out the annual fees payable in respect of different roles and responsibilities:

Fee Category	£
Non-Executive Chairman	164,000
Senior Independent Director	82,500
Basic Member Fee	42,225
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 and which include amongst other matters, an indication of the time commitment expected from each Non-Executive Director. 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 (continued)

Audited information

Annual remuneration

The table below summarises Executive Directors' remuneration for 2011 and the prior year for comparison. No payments for loss of office were made during the year to 31 December 2011.

	Base salary/ fees	Allowances and other benefits	Annual bonus	Total emoluments 2011	Total emoluments 2010
Executive Directors					
Nigel McCue	$801,373	$194,590	$579,661	$1,575,624	$1,721,644
Scott Doak*	$393,461	$180,447	$255,094	$829,002	$1,124,315
Jonathan Cooper**	$68,402	$24,154	$44,743	$137,299	n/a
Christopher Hand***	$368,548	$259,129	$247,347	$875,024	n/a
Total	$1,631,784	$658,320	$1,126,845	$3,416,949	$2,845,959

* retired 30 October 2011.
** appointed 30 October 2011.
*** appointed 26 January 2011.

	Base salary/ fees	Allowances and other benefits	Annual bonus	Total emoluments 2011	Total emoluments 2010
Non-Executive Directors					
Jonathan Silver	$215,007	Nil	Nil	$215,007	$155,969
Colin Goodall	$128,083	Nil	Nil	$128,083	$118,608
Richard Raynaut	$76,438	Nil	Nil	$76,438	$70,894
Brian Fredrick	$76,445	Nil	Nil	$76,445	$70,143
Total	$495,973	Nil	Nil	$495,973	$485,613

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 2011	Total 2010
Nigel McCue	$65,254	$102,761
Scott Doak	$43,080	$59,119
Jonathan Cooper	$3,963	n/a
Christopher Hand	$142,230	n/a
Total	$254,527	$161,880

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 2011 and 2010, 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% (2010: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 4.25% (2010: 5.25%).

Directors' interests

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

Where applicable, all interests in Lamprell shares have been adjusted by a factor of 1.1 as a result of the rights issue conducted by the Company in 2011.

	At 23 March 2012	**At 31 December 2011**	At 1 January 2011
Executive Directors			
Nigel McCue	335,999	**335,999**	188,461
Scott Doak	n/a	**n/a**	130,725
Christopher Hand	378,061	**378,061**	n/a
Jonathan Cooper	–	**–**	–
Non-Executive Directors			
Jonathan Silver	16,474	**16,474**	12,673
Colin Goodall	7,800	**7,800**	6,000
Richard Raynaut	–	**–**	–
Brian Fredrick	–	**–**	–

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

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 could vest under the conditional rights were 20 May 2011 and 10 January 2010 respectively. Receipt of the shares was 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 2011	Granted in year	Share price at grant	Date of vesting	Vested	At 31 December 2011
Nigel McCue	70,000	Nil	£5.25	20.05.2011	70,000	Nil
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 he was entitled between the grant date and vesting date.

The share award to Nigel McCue vested on 20 May 2011. On vesting, an amount of $18,655 was paid which is equal to the aggregate amount of dividends that would have been paid on the shares to which he was entitled between the grant date and vesting date.

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 is 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 1.1.2011	Granted in year	Exercise price at grant	Date of vesting	Vested	Exercised in 2011	At 31.12.2011
Nigel McCue	302,524	Nil	£0.52	31.03.2012	Nil	Nil	302,524
Scott Doak	302,524	Nil	£0.52	31.03.2012	Nil	Nil	302,524
Scott Doak	19,585	Nil	£3.22	16.05.2010	19,585	19,585	Nil

Directors' Remuneration Report (continued)

On vesting, the options become exercisable and, subject to the rules of the Plan, will remain exercisable until 31 March 2019 (being the tenth anniversary of the grant date) for shares granted on 31 March 2009 and exercisable until 16 May 2017 (being the tenth 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 2011 Nigel McCue, Christopher Hand and Jonathan Cooper were granted share awards under the PSP. The earliest date that they will be entitled to receive the shares under the conditional rights is 2 September 2014 for Nigel McCue, and Christopher Hand and 8 December 2014 for Jonathan Cooper. Receipt of the shares is conditional upon satisfaction of the performance conditions related to the PSP.

The following table sets out the interests of Nigel McCue, Scott Doak, Christopher Hand and Jonathan Cooper in relation to their awards:

Executive Director	At 1.1.2011	Awarded for 2011	Date of vesting	Vested	Lapsed in 2011	At 31.12.2011
Nigel McCue	209,249	–	15.04.2013	Nil	Nil	209,249
Nigel McCue	–	159,299	02.09.2014	Nil	Nil	159,299
Scott Doak	106,888	–	15.04.2013	Nil	Nil	106,888
Christopher Hand	62,548	–	15.04.2013	Nil	Nil	62,548
Christopher Hand	–	51,684	02.09.2014	Nil	Nil	51,684
Jonathan Cooper	–	38,512	08.12.2014	Nil	Nil	38,512

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.

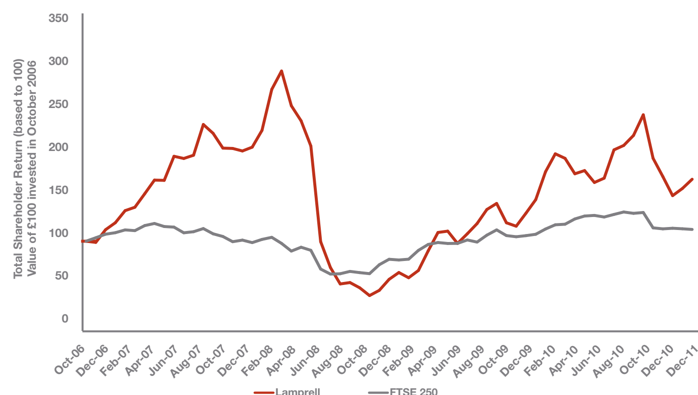
Share price information

On 31 December 2011, the closing price of a Lamprell plc ordinary share was 268.7 pence. The highest and lowest price of an ordinary share during 2011 was 400 pence and 214.85 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 from 31 December 2006 to 31 December 2011. 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
23 March 2012

Corporate Social Responsibility

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 30 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 2011, 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, Lamprell is 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 establishment, with the recipients this year being Medécins Sans Frontierès ("MSF").

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, and to comply with local laws, 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 provide 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 2011 was to maintain and improve the developed

Corporate Social Responsibility (continued)

"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.

A contributory factor again this year was the continued 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 0.27. 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 2011 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.

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 2011, 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 continually to improve the Quality Management Systems and operations.

Independent auditor's report to the members of Lamprell plc

Report on the Financial Statements

We have audited the accompanying consolidated and parent company financial statements ('the financial statements') of Lamprell plc and its subsidiaries (the 'Group') which comprise the consolidated and company balance sheets as at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated and 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 is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or 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.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements give a true and fair view of the financial position of the parent company as at 31 December 2011, and 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 1982; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report on the following:
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 disclosures of directors' loans and remuneration specified by law have not been complied with.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 36, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- the Directors' Remuneration Report for the six disclosures specified for our review.

Nicholas Halsall, Responsible Individual
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
23 March 2012

Consolidated income statement

	Note	Year ended 31 December 2011 USD'000	2010 USD'000
Revenue	5	**1,147,853**	503,820
Cost of sales	6	**(1,014,913)**	(424,112)
Gross profit		**132,940**	79,708
Other operating income	7	**–**	23,925
Selling and distribution expenses	8	**(2,358)**	(1,183)
General and administrative expenses	10	**(62,863)**	(32,527)
Other gains/(losses) – net	13	**11,928**	(1,801)
Operating profit		**79,647**	68,122
Analysed as:			
Operating profit before exceptional items		**90,191**	68,122
Exceptional items	10	**(10,544)**	–
Operating profit after exceptional items		**79,647**	68,122
Finance costs	12	**(17,965)**	(5,088)
Finance income	12	**1,804**	2,193
Finance costs – net		**(16,161)**	(2,895)
Share of loss of joint ventures	20	**(8)**	–
Profit before income tax		**63,478**	65,227
Income tax expense		**(188)**	–
Profit for the year attributable to the equity holders of the Company		**63,290**	65,227
Earnings per share attributable to the equity holders of the Company	14		
Basic		**26.56c**	30.21c*
Diluted		**26.47c**	30.03c*

* Earnings per share disclosure has been restated for the bonus element of the 2011 rights issue (Note 14).

The notes on pages 62 to 99 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2011 USD'000	2010 USD'000
Profit for the year		**63,290**	65,227
Other comprehensive (loss)/income			
Currency translation differences		**(854)**	679
Cash flow hedges:			
Profit/(loss) arising on hedges recognised in other comprehensive income	32	**13,083**	(304)
Amount reclassified from other comprehensive income	32, 35	**(14,129)**	170
Other comprehensive (loss)/income for the year		**(1,900)**	545
Total comprehensive income for the year attributable to the equity holders of the Company		**61,390**	65,772

The notes on pages 62 to 99 form an integral part of these financial statements.

Consolidated balance sheet

	Notes	As at 31 December 2011 USD'000	2010 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**175,356**	113,304
Intangible assets	18	**230,861**	2,413
Investment in joint ventures	20	**3,870**	–
Held-to-maturity investment	21	**–**	6,875
Due from a related party	25	**7,025**	–
Derivative financial instruments	32	**–**	2,517
		417,112	125,109
Current assets			
Inventories	22	**12,056**	9,458
Trade and other receivables	23	**668,753**	251,124
Derivative financial instruments	32	**699**	–
Held-to-maturity investment	21	**6,879**	–
Financial asset at fair value through profit or loss	24	**8,172**	2,500
Cash and bank balances	26	**149,377**	210,223
		845,936	473,305
Total assets		**1,263,048**	598,414
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	**23,552**	18,682
Share premium	27	**211,776**	–
Legal reserve	28	**35**	33
Merger reserve	30	**(22,422)**	(22,422)
Translation reserve		**(77)**	777
Hedging reserve		**(1,180)**	(134)
Retained earnings		**322,214**	287,032
Total equity		**533,898**	283,968
Non-current liabilities			
Borrowings	34	**36**	–
Provision for employees' end of service benefits	31	**39,597**	18,524
Derivative financial instruments	32	**–**	2,651
		39,633	21,175
Current liabilities			
Borrowings	34	**251,089**	–
Derivative financial instruments	32	**1,449**	–
Trade and other payables	33	**436,911**	293,271
Current tax liability		**68**	–
		689,517	293,271
Total liabilities		**729,150**	314,446
Total equity and liabilities		**1,263,048**	598,414

The financial statements on pages 54 to 99 were approved and authorised for issue by the Board of Directors on 23 March 2012 and signed on its behalf by:

Nigel McCue
Chief Executive Officer and Director

Jonathan Cooper
Chief Financial Officer and Director

The notes on pages 62 to 99 form an integral part of these financial statements.

Company balance sheet

	Note	As at 31 December 2011 USD'000	2010 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	19	**750,917**	750,018
Current assets			
Other receivables		**112**	17
Due from related parties	25	**209,939**	22,619
Cash at bank	26	**298**	189
		210,349	22,825
Total assets		**961,266**	772,843
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	**23,552**	18,682
Share premium	27	**211,776**	–
Other reserve	29	**708,852**	708,852
Retained earnings		**15,744**	43,050
Total equity		**959,924**	770,584
Non-current liabilities			
Provision for employees' end of service benefits	31	**821**	808
Current liabilities			
Other payables and accruals		**521**	1,451
Total liabilities		**1,342**	2,259
Total equity and liabilities		**961,266**	772,843

The financial statements on pages 54 to 99 were approved and authorised for issue by the Board of Directors on 23 March 2012 and signed on its behalf by:

Nigel McCue
Chief Executive Officer and Director

Jonathan Cooper
Chief Financial Officer and Director

The notes on pages 62 to 99 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Note	Share capital USD'000	Share premium 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 2010		18,682	–	31	(22,422)	98	–	238,401	234,790
Profit for the year		–	–	–	–	–	–	65,227	65,227
Other comprehensive income:									
Currency translation differences		–	–	–	–	679	–	–	679
Cash flow hedges		–	–	–	–	–	(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	27	–	–	–	–	–	–	(3,475)	(3,475)
Transfer to legal reserve	28	–	–	2	–	–	–	(2)	–
Dividends	37	–	–	–	–	–	–	(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
At 1 January 2011		18,682	–	33	(22,422)	777	(134)	287,032	283,968
Profit for the year		–	–	–	–	–	–	63,290	63,290
Other comprehensive income:									
Currency translation differences		–	–	–	–	(854)	–	–	(854)
Cash flow hedges		–	–	–	–	–	(1,046)	–	(1,046)
Total comprehensive income for the year		–	–	–	–	(854)	(1,046)	63,290	61,390
Transactions with owners:									
Share-based payments:									
– value of services provided	9	–	–	–	–	–	–	1,439	1,439
Treasury shares purchased	27	–	–	–	–	–	–	(455)	(455)
Proceeds received from exercise of share options		–	–	–	–	–	–	187	187
Proceeds from shares issued (net)	27	4,870	211,776	–	–	–	–	–	216,646
Transfer to legal reserve	28	–	–	2	–	–	–	(2)	–
Dividends	37	–	–	–	–	–	–	(29,277)	(29,277)
Total transactions with owners		4,870	211,776	2	–	–	–	(28,108)	188,540
At 31 December 2011		**23,552**	**211,776**	**35**	**(22,422)**	**(77)**	**(1,180)**	**322,214**	**533,898**

The notes on pages 62 to 99 form an integral part of these financial statements.

Company statement of changes in equity

	Note	Share capital USD'000	Share premium USD'000	Other reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2010		18,682	–	708,852	39,018	766,552
Total comprehensive income for the year	36	–	–	–	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	27	–	–	–	(1,897)	(1,897)
Dividends	37	–	–	–	(15,179)	(15,179)
Total transactions with owners		–	–	–	(15,016)	(15,016)
At 31 December 2010		18,682	–	708,852	43,050	770,584
Total comprehensive income for the year	36	–	–	–	2,993	2,993
Transactions with owners:						
Share-based payments:						
– value of services provided	9	–	–	–	543	543
– investment in subsidiaries	19	–	–	–	899	899
Treasury shares issued	27	–	–	–	(2,464)	(2,464)
Proceeds from shares issued (net)	27	4,870	211,776	–	–	216,646
Dividends	37	–	–	–	(29,277)	(29,277)
Total transactions with owners		4,870	211,776	–	(30,299)	186,347
At 31 December 2011		**23,552**	**211,776**	**708,852**	**15,744**	**959,924**

The notes on pages 62 to 99 form an integral part of these financial statements.

Consolidated cash flow statement

	Notes	2011 USD'000	2010 USD'000
		Year ended 31 December	
Operating activities			
Cash (used in)/generated from operating activities	40	**(54,582)**	232,798
Tax paid		**(120)**	–
Net cash (used in)/generated from operating activities		**(54,702)**	232,798
Investing activities			
Additions to property, plant and equipment	17	**(55,483)**	(29,724)
Proceeds from sale of property, plant and equipment		**439**	89
Additions to intangible assets	18	**(1,800)**	(1,191)
Held-to-maturity investment	21	**(4)**	(6,875)
Finance income	12	**1,531**	2,193
Dividend received from joint ventures	20	**760**	–
Acquisition of subsidiary – net of cash acquired	35	**(322,217)**	–
Movement in deposit with original maturity of more than three months	26	**(19,907)**	(63,599)
Movement in margin deposits	26	**(12,154)**	(300)
Net cash used in investing activities		**(408,835)**	(99,407)
Financing activities			
Net proceeds from issue of share capital	27	**216,646**	–
Proceeds from sale of financial asset at fair value through profit and loss	24	**2,590**	–
Treasury shares purchased		**(455)**	(3,475)
Proceeds from options exercised		**187**	–
Dividends paid	37	**(29,316)**	(15,162)
Proceeds from borrowings		**245,216**	–
Repayments of borrowings		**(45,811)**	(22,547)
Finance costs	12	**(17,965)**	(5,088)
Net cash generated from/(used in) financing activities		**371,092**	(46,272)
Net (decrease)/increase in cash and cash equivalents		**(92,445)**	87,119
Cash and cash equivalents, beginning of the year		**136,804**	49,241
Exchange rate translation		**(854)**	444
Cash and cash equivalents, end of the year	26	**43,505**	136,804

The notes on pages 62 to 99 form an integral part of these financial statements.

Company cash flow statement

	Notes	Year ended 31 December 2011 USD'000	2010 USD'000
Operating activities			
Profit for the year	36	**2,993**	19,048
Adjustments for:			
Share-based payments – value of services provided	9	**543**	443
Provision for employees' end of service benefits	31	**259**	216
Dividends received from LEL		**(29,277)**	(15,169)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**(25,482)**	4,538
Payment of employees' end of service benefits	31	**(246)**	–
Changes in working capital:			
Other receivables		**(95)**	(12)
Other payables and accruals		**(930)**	889
Due from related parties	25	**(187,320)**	(3,426)
Net cash (used in)/generated from operating activities		**(214,073)**	1,989
Investing activities			
Dividends received from LEL		**29,277**	15,169
Net cash generated from investing activities		**29,277**	15,169
Financing activities			
Net proceeds from issue of share capital	27	**216,646**	–
Treasury shares issued	27	**(2,464)**	(1,897)
Dividends paid	37	**(29,277)**	(15,179)
Net cash generated from/(used in) financing activities		**184,905**	(17,076)
Net increase in cash and cash equivalents		**109**	82
Cash and cash equivalents, beginning of the year		**189**	107
Cash and cash equivalents, end of the year	26	**298**	189

The notes on pages 62 to 99 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2011

1 Legal status and activities

Lamprell plc ("the Company/the parent company") was incorporated and registered on 4 July 2006 in the Isle of Man as a public company limited by shares under the Isle of Man Companies Acts with the registered number 117101C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited ("LEL") from Lamprell Investments 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 30). 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.

During the year, the Group acquired 100% of the shares in Maritime Industrial Services Company Ltd Inc ("MIS") through its wholly owned subsidiary Lamprell Investments Holding Limited. MIS is registered in Panama and has operations in the Middle East and Kazakhstan. The principal activities of MIS are the upgrade and refurbishment of offshore jackup rigs; fabrication, assembly and new build construction for the offshore oil and gas sector; engineering and construction; safety and training services and other operating and maintenance services. At the time of acquisition, MIS was listed on the Norwegian Stock Exchange and was subsequently delisted in September 2011.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Place of incorporation
Lamprell Energy Limited	100	100	Isle of Man
Lamprell Investments Holding Limited ("LIH")	100	100	British Virgin Islands
Lamprell Dubai LLC ("LD")	49*	100	UAE
Lamprell Sharjah WLL ("LS")	49*	100	UAE
Maritime Offshore Limited ("MOL")	100	100	Isle of Man
Maritime Offshore Construction Limited ("MOCL")	100	100	Isle of Man
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
Maritime Industrial Services Co Ltd Inc ("MIS")	100	100	Republic of Panama
Maurlis International Ltd Inc ("MIL")	100	100	Republic of Panama
Global Management and Acquisition Co Ltd Inc ("GMAC")	100	100	Republic of Panama
Rig Metals LLC	49*	100	UAE
Litwin PEL Co. LLC	49*	100	UAE
Maritime Industrial Services Co Ltd & Partners ("MISCLP")	49*	100	Sultanate of Oman
Global Investment Co Ltd Inc ("GIC")	100	100	Republic of Panama
Maritime International Agency Services Ltd ("MIAS")	100	100	Republic of Panama
MIS International Ltd Inc	100	100	UAE
Marine Investment Holdings Co Ltd Inc	100	100	Republic of Panama
MIS Trading Company Inc	100	100	Republic of Panama
MIS Qatar WLL ("MISQWLL")	49*	100	Qatar
MIS Control Industrial Company Inc	100	100	Republic of Panama

* The remaining balance of 51% in each case is registered in the name of a Gulf Cooperation Council ("GCC") National/entity owned by a GCC National that has assigned all the economic benefits attached to their shareholdings to the Group entity. The Group 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. These shareholders receive sponsorship fees/commission from the Group (Note 25).

† 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, two shares are held by employees of the Group in trust for the beneficial interest of the Group and the balance of 866,998 shares is 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") 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 statement of comprehensive income. After making enquiries, the Directors have a reasonable 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 adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

IAS 19, "Employee benefits" was amended in June 2011. The impact of this amendment will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income ("OCI") as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). This amendment has no impact on the Group's financial statements.

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and contractual cash flow characteristics of the instrument. For financial liabilities, the standards retain most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to reassess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015 (subject to EU endorsement).

IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012.

Notes to the financial statements
for the year ended 31 December 2011

2 Summary of significant accounting policies (continued)
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.

(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) Product and services
Revenue from sale of products and services is recognised in the accounting period in which the product is sold or the service is rendered.

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

2.3 Consolidation
(a) Subsidiaries
Subsidiaries are all entities (including special purpose 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 existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of defacto control. Defacto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair 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.

2 Summary of significant accounting policies (continued)

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Business combinations involving entities under common control do not fall within the scope of IFRS 3. Consequently, the Directors have a responsibility to determine a suitable accounting policy. The Directors have decided to follow the uniting of interests method 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 recorded as balances remain at book value. Consolidated financial statements include the profit or loss and cash flows for the entire year (pre- and post-merger) as if the subsidiary had always been part of the Group. The aim is to show the combination as if it had always been combined.

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

(b) Joint ventures

A joint venture is an entity jointly controlled by two or more parties by means of contractual arrangement. The results of operations, assets and liabilities of the Group's joint ventures are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for sale. Under the equity method, investments in jointly controlled entities are carried at cost plus subsequent changes in the Group's share of net assets of the jointly controlled entity, net of any accumulated impairment losses.

The income statement reflects the Group's share of the results of operations of the jointly controlled entity (based on the equity method). Losses of a joint venture in excess of the Group's interest in that joint venture are not recognised unless the Group has a legal or constructive obligation to fund those losses.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2.4 Investment in subsidiaries

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

Notes to the financial statements
for the year ended 31 December 2011

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's activities are primarily carried out from the UAE, whose currency, the UAE Dirham, is pegged to the US Dollar and is the functional currency of all the entities in the Group (except LAL whose functional currency is the Thailand Baht, MISCLP whose functional currency is the Omani Riyal, MISQWLL whose functional currency is the Qatari Riyal, MIS Kazakh Branch whose functional currency is the Kazakh Tenge and EBT whose functional currency is the British Pound). The consolidated and parent company financial statements are presented in US Dollars.

(b) Transactions and balances

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

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

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- all resulting exchange differences are recognised 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	3 – 25
Operating equipment	3 – 10
Fixtures and office equipment	3 – 5
Motor vehicles	4 – 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 Summary of significant accounting policies (continued)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and joint ventures and represents the excess of the consideration transferred over Lamprell plc's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs") or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trade name

A trade name acquired as part of a business combination is capitalised, separately from goodwill, at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Amortisation is calculated on a straight line method to allocate the fair value at acquisition over their estimated useful life of 10 years. The useful life of a trade name is reviewed on an annual basis.

(c) Customer relationships

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

(d) Operating lease rights

Intangible assets representing operating leasehold rights are carried at cost (being the fair value on the date of acquisition where intangibles are acquired in a business combination) less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight line method to allocate the cost of the leasehold right over its estimated useful life (17 years).

(e) Computer software

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.

Notes to the financial statements
for the year ended 31 December 2011

2 Summary of significant accounting policies (continued)

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 labour laws applicable in the countries in which the Group operates, 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.

(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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

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 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 are 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 gains/(losses) – net" in the period in which they arise.

Notes to the financial statements
for the year ended 31 December 2011

2 Summary of significant accounting policies (continued)

(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), receivables from related parties and cash and cash equivalents (Note 2.14) in the Group balance sheet and amounts due from receivables from related parties (Note 25) and cash at bank (Note 26) 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.

(d) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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).

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within "other gains/(losses) – net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within "other gains/(losses) – net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, contracts work in progress or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of contracts work in progress or in depreciation in the case of fixed assets.

2 Summary of significant accounting policies (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within "other gains/(losses) – net".

2.21 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. 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. The excess of proceeds received net of any directly attributable transaction costs over the par value of the shares are credit to the share premium.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.23 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange and cash flow interest rate risk), credit risk and liquidity risk. These risks are evaluated by management on an ongoing basis to assess and manage critical exposures. The Group's liquidity and market risks are managed as part of the Group's treasury activities. Treasury operations are conducted within a framework of established policies and procedures.

(a) Market risk – foreign exchange risk

The Group has foreign exchange risk primarily with respect to 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 32).

(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 2011, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 483,000 (2010: USD 527,000).

The Group's interest rate risk arises from long term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year ended 31 December 2011, if interest rates on borrowings had been 0.5% higher/lower, the interest expense would have been higher/lower by USD 668,000 (2010: USD Nil).

(c) Credit risk

The Group's exposure to credit risk is detailed in Notes 16, 21, 23, 24, 26 and 32. 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.

Notes to the financial statements
for the year ended 31 December 2011

3 Financial risk management (continued)
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks, held-to-maturity investment, financial asset carried at fair value through profit or loss, trade and other receivables and derivative financial instruments. The Group has a formal procedure of monitoring and follow up of customers for outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'B' 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 2011, the Group had a significant concentration of credit risk with nine of its largest customer balances accounting for 58% (2010: 72%) 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:

	2011		2010	
Counterparty	External rating+	USD'000	External rating+	USD'000
Bank A*	AA-	76,060	AA	71,848
Bank B	AA-	7,839	A+	65,813
Bank C	AA-	1,065	A+	43,213
Bank D	AA-	34	A+	34,847
		84,998		215,721

* Includes USD 6.9m (2010: USD 6.9m) with respect to held-to-maturity investment (Note 21).
\+ Based on Standard & Poor's/Fitch long term ratings.

	2011		2010	
	Internal rating++	USD'000	Internal rating++	USD'000
Customer 1	Group C	26,909	Group B	11,455
Customer 2	Group C	12,381	Group A	6,669
Customer 3	Group A	9,772	Group B	5,803
Customer 4	Group C	5,665	Group B	3,354
Customer 5	Group C	3,462	Group C	4,340
Customer 6	Group C	3,271	Group A	2,376
Customer 7	Group A	3,244	Group C	1,973
Customer 8	Group C	3,203	Group B	1,755
Customer 9	Group B	3,137	Group C	1,713
		71,044		39,438

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

The counterparties in 2011 are not necessarily the same counterparties in 2010.

Management does not expect any losses from non-performance by these counterparties.

(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 32.

3 Financial risk management (continued)

The Group is currently financed from shareholders' equity and borrowings. 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 1 year USD'000	1 to 2 years USD'000
31 December 2011				
Trade and other payables (excluding due to customers on contracts, advances received for contract work and dividend payable) (Note 33)	318,198	318,198	318,198	–
Borrowings (Note 34)	251,125	254,635	254,599	36
	569,323	572,833	572,797	36
31 December 2010				
Trade and other payables (excluding due to customers on contracts, advances received for contract work and dividend payable) (Note 33)	149,677	149,677	149,677	–

3.2 Capital risk management

As a result of the borrowings during the year, the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and bank balances. Total capital is calculated as "equity" as shown in the balance sheet plus net debt. The net debt to total capital at the balance sheet date was as follows:

	2011 USD'000	2010 USD'000
Total borrowings	**251,125**	–
Less: cash and bank balances (Note 26)	**(149,377)**	(210,223)
Net debt	**101,748**	n/a
Total equity	**534,213**	283,968
Total capital	**635,961**	n/a
Gearing ratio	**16%**	n/a

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).

Notes to the financial statements
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3 Financial risk management (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011:

	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 24)	–	–	8,172	8,172
Derivative financial instruments (Note 32)	–	699	–	699
Total assets	–	699	8,172	8,871
Liabilities				
Derivative financial instruments (Note 32)	–	1,449	–	1,449
Total liabilities	–	1,449	–	1,449

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 24)	–	–	2,500	2,500
Derivative financial instruments (Note 32)	–	2,517	–	2,517
	–	2,517	2,500	5,017
Liability				
Derivative financial instruments (Note 32)	–	2,651	–	2,651

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.

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 32.9m (2010: USD 12.1m) if the total costs to complete are decreased by 10% and the revenue and profit decreasing by USD 24.3m (2010: USD 10.7m) if the total costs to complete are increased by 10%.

4 Critical accounting estimates and judgements (continued)

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 for 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 4.25% (2010: 5.25%). 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 1.4m (2010: USD 0.6m) lower or USD 1.5m (2010: USD 0.7m) 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") and Jebel Ali ("JBA") in addition to the performance of Land Rig Services ("LRS") and International Inspection Services Limited ("INSPEC").

SHJ, HAM, JBA and LRS meet all the aggregation criteria required by IFRS 8 and are reported as a single segment (Segment A). Services provided from Inspec 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 and renewables sectors, 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.

During the year, the Company through its wholly-owned subsidiary, LIH, acquired MIS (Note 35). The revenue of MIS is mainly derived from the upgrade and refurbishment of offshore jackup rigs; fabrication, assembly and new build construction for the offshore oil and gas sector, engineering and construction. The Executive Directors consider these services to be similar to the services provided by Lamprell from SHJ, HAM, JBA and LRS and hence been considered under the reporting segment (Segment A). Additionally, MIS also provides safety and training services and other Operating and Maintenance services ("O&M"). As services provided by Sunbelt and O&M do not meet the quantitative thresholds required by IFRS 8, the results of these operations are included in the "all other segments" column.

	Segment A USD'000	All other segments USD'000	Total USD'000
Year ended 31 December 2011			
Total segment revenue	1,101,741	53,357	1,155,098
Inter-segment revenue	–	(7,245)	(7,245)
Revenue from external customers	1,101,741	46,112	1,147,853
Gross operating profit	138,113	13,959	152,072
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

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.

Notes to the financial statements
for the year ended 31 December 2011

5 Segment information (continued)

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:

	2011 USD'000	2010 USD'000
Gross operating profit for the reportable segment as reported to the Executive Directors	138,113	93,643
Gross operating profit for all other segments as reported to the Executive Directors	13,959	2,176
Unallocated:		
Finance costs absorbed in reportable segments	5,968	3,850
Under-absorbed employee and equipment costs	(9,157)	(5,768)
Repairs and maintenance	(12,524)	(7,844)
Yard rent	(3,357)	(3,129)
Others	(62)	(3,220)
Gross profit	132,940	79,708

	2011 USD'000	2010 USD'000
Gross profit	132,940	79,708
Other operating income (Note 7)	–	23,925
Selling and distribution expenses (Note 8)	(2,358)	(1,183)
General and administrative expenses (Note 10)	(62,863)	(32,527)
Other gains/(losses) – net (Note 13)	11,928	(1,801)
Finance costs (Note 12)	(17,965)	(5,088)
Finance income (Note 12)	1,804	2,193
Others	(196)	–
Profit for the year	63,290	65,227

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.

The breakdown of revenue from all services is as follows:

	2011 USD'000	2010 USD'000
New build activities – oil and gas	500,618	137,436
New build activities – renewables	289,105	69,153
Upgrade and refurbishment activities	191,009	163,598
Offshore construction	52,507	117,120
Others	114,614	16,513
	1,147,853	503,820

The entity is domiciled in the UAE. The total revenue from external customers in respect of services performed in the UAE is USD 1,139.3m (2010: USD 495m), and the total revenue from external customers for work performed in other countries is USD 8.6m (2010: USD 9m).

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

	2011 USD'000	2010 USD'000
External customer A	193,972	110,316
External customer B	158,576	76,627
External customer C	137,374	50,493
External customer D	119,284	–
	609,206	237,436

The revenue from these customers is attributable to Segment A. The above customers in 2011 are not necessarily the same customers in 2010.

6 Cost of sales

	2011 USD'000	2010 USD'000
Materials and related costs	**482,726**	152,652
Sub-contract costs	**257,563**	129,296
Staff costs (Note 11)	**136,221**	86,950
Sub-contract labour	**63,509**	10,666
Repairs and maintenance	**17,566**	8,323
Equipment hire	**16,356**	6,361
Depreciation (Note 17)	**14,982**	10,160
Yard rent	**4,248**	3,204
Others	**21,742**	16,500
	1,014,913	424,112

7 Other operating income

Other operating income in 2010 of USD 23.9m represents a gain on the cancellation of a contract with a customer during the prior year.

8 Selling and distribution expenses

	2011 USD'000	2010 USD'000
Advertising and marketing	**1,965**	524
Entertainment	**114**	112
Travel	**173**	376
Others	**106**	171
	2,358	1,183

9 Share-based payments

Group

	2011 USD'000	2010 USD'000
Proportionate amount of share-based charge:		
– relating to free share plan	**626**	1,592
– relating to executive share option plan	**62**	92
– relating to performance share plan	**751**	376
	1,439	2,060

Company

	2011 USD'000	2010 USD'000
Proportionate amount of share-based charge:		
– relating to free share plan	**83**	155
– relating to executive share option plan	**62**	73
– relating to performance share plan	**398**	215
	543	443

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9 Share-based payments (continued)

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. 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%

A charge of USD 626,000 (2010: USD 1,592,000) 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 83,000 (2010: USD 155,000).

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 2010	1,517,148
Shares gifted under free share plan	299,000
Shares vested and issued out of treasury shares (Note 27)	(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
Shares adjustment for rights issue	26,716
Shares vested and issued out of treasury shares	(963,716)
Shares lapsed during the year due to non-satisfaction of vesting conditions	(5,000)
Shares expected to vest in future periods at 31 December 2011	–

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.

9 Share-based payments (continued)

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

	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		
Vested and exercised	3.22	(35,253)		
Vested but not exercised	3.22	(50,531)		
At 31 December 2011	0.57	550,000		

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 United Kingdom (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 62,000 (2010: USD 92,000) 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 62,000 (2010: USD 73,000).

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 fair value of the share awards made under this plan is based on the share price at the date of the grant less the value of the dividends foregone during the vesting period. The details of the shares granted under this scheme are as follows:

Grant date	Number of shares	Vesting period	Fair value per share	Dividend entitlement	Expected withdrawal rate
2010					
15 April 2010	502,572	36 months	£2.57	No	5%
2011					
2 September 2011	339,448	36 months	£2.97	Yes	–
8 December 2011	38,512	36 months	£2.81	Yes	–
	377,960				

Accordingly, a charge of USD 751,000 (2010: USD 376,000) 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 398,000 (2010: USD 215,000).

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

As part of the acquisition of MIS (Note 35), the Company extended a cash cancellation offer of NOK 38 per share to the option holders of MIS. The offer was accepted by all the option holders and was settled by the Company for a total value of USD 5.4m. The fair value of the vested options as at the acquisition date amounting to USD 3.5m was considered as part of the purchase consideration (Note 35) and the fair value of the unvested options as at the acquisition date amounting to USD 1.9m was considered as an expense in the post-combination financial statements.

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10 General and administrative expenses

	2011 USD'000	2010 USD'000
Staff costs (Note 11)	**34,200**	20,224
Legal, professional and consultancy fees	**10,516**	1,457
Depreciation (Note 17)	**4,301**	3,534
Amortisation of intangible assets (Note 18)	**3,887**	88
Utilities and communication	**3,706**	2,356
Others	**6,253**	4,868
	62,863	32,527

During 2010, the Group incurred total expenditure of USD 1.4m for the closure of the LAL operations in Thailand, of which USD 0.8m is included in "General and administrative expenses" and USD 0.6m in "Other gains/(losses)" (Note 13).

Exceptional items

Items that are material either because of their size or their nature or that are non-recurring are presented within their relevant consolidated income statement category, but highlighted separately in the consolidated income statement. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

An analysis of the amounts presented as exceptional items in these financial statements which relates to costs incurred in relation to the acquisition of MIS (Note 35) is given below:

	2011 USD'000	2010 USD'000
Financial advisory fees	**5,024**	–
Legal fees	**1,781**	–
Professional fees	**1,220**	–
Post-acquisition charge of cash cancellation of MIS share options (Note 9)	**1,919**	–
Other expenses	**600**	–
	10,544	–

11 Staff costs

	2011 USD'000	2010 USD'000
Wages and salaries	**100,214**	61,077
Employees' end of service benefits (Note 31)	**8,508**	4,446
Share-based payments – value of services provided (Note 9)	**1,439**	2,060
Other benefits	**60,260**	39,591
	170,421	107,174
Staff costs are included in:		
Cost of sales (Note 6)	**136,221**	86,950
General and administrative expenses (Note 10)	**34,200**	20,224
	170,421	107,174
Number of employees at 31 December	**9,496**	4,476

11 Staff costs (continued)

Directors' remuneration comprises:

	Salary 2011 USD'000	Fees 2011 USD'000	Allowances & benefits 2011 USD'000	Bonus 2011 USD'000	Share-based payments value of services provided 2011 USD'000	Post employ-ment benefits 2011 USD'000	Total 2011 USD'000	Total 2010 USD'000
Executive Directors								
Nigel McCue	801	–	195	580	414	65	2,055	2,199
Christopher Hand*	369	–	259	247	90	142	1,107	–
Scott Doak^	394	–	180	255	118	43	990	1,295
Jonathan Cooper^^	68	–	24	45	4	4	145	–
Non-Executive Directors								
Jonathan Silver	–	215	–	–	–	–	215	156
Colin Goodall	–	128	–	–	–	–	128	119
Richard Raynaut	–	76	–	–	–	–	76	71
Brian Fredrick	–	76	–	–	–	–	76	70
	1,632	495	658	1,127	626	254	4,792	3,910

The emoluments of the highest paid Director were USD 2.1m (2010: USD 2.2m) and these principally comprised salary, benefits, bonus and share-based payments.

* Appointed as a Director on 26 January 2011.
^ Resigned as Chief Financial Officer and Director with effect from 30 October 2011.
^^ Appointed as Chief Financial Officer and Director on 30 October 2011.

12 Finance costs – net

Finance costs

	2011 USD'000	2010 USD'000
Bank guarantee charges	6,157	3,696
Interest on bank borrowings	5,392	204
Facility fees	4,441	893
Commitment fees	1,200	–
Others	775	295
	17,965	5,088

Finance income

Finance income mainly comprises interest income on bank deposits (USD 1.5m) and interest accretion on loan to KSAM 2 (USD 0.3m).

13 Other gains/(losses) – net

	2011 USD'000	2010 USD'000
Fair value gain on financial asset carried at fair value through profit or loss (Note 24)	8,262	–
Profit/(loss) on disposal of property, plant and equipment	281	(562)
Exchange gain/(loss) – net	3,102	(1,359)
Others	283	120
	11,928	(1,801)

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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 27).

(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.

	2011 USD'000	2010 USD'000
The calculations of earnings per share are based on the following profit and numbers of shares:		
Profit for the year	**63,290**	65,227
Weighted average number of shares for basic earnings per share	**238,329,508**	215,901,261
Adjustments for:		
Assumed exercise of free share awards	**–**	763,842
Assumed vesting of executive share options	**445,443**	411,526
Assumed vesting of performance share plan	**361,723**	140,844
Weighted average number of shares for diluted earnings per share	**239,136,674**	217,217,473
Weighted average number of shares for basic earnings per share (previously reported)	**–**	198,987,337
Impact of bonus element of the rights issue	**–**	16,913,924
Weighted average number of shares for basic earnings per share (revised)	**–**	215,901,261
Earnings per share:		
Basic	**26.56c**	30.21c
Diluted	**26.47c**	30.03c

On 19 May 2011, the Company announced a rights issue of three shares for every 10 shares held at a discounted price of 232 pence per share resulting in the issue of 60,083,792 new ordinary shares. The calculation of the weighted average number of ordinary shares for the current year was affected by the issue of the new ordinary shares. The Group has treated the discount element of the rights issue as if it was a bonus issue, using the theoretical ex-rights price of 324 pence per share. The effect of this is to increase the weighted average number of shares reported in the prior year, with a resulting reduction in the reported basic and diluted earnings per share for the previous year. The adjustment factor, to effect the increase in the weighted average number of shares, has been calculated by dividing the share price immediately before the shares were quoted ex-rights (351.3 pence) with the theoretical ex-rights price (323.77 pence), giving an adjustment factor of 1.085. These adjustments to the comparative earnings per share calculations do not impact the previously reported consolidated income statement or consolidated balance sheet.

15 Operating profit

Operating profit is stated after charging/recognising:

	2011 USD'000	2010 USD'000
Depreciation (Note 17)	**19,283**	13,694
Auditor's remuneration – audit services	**620**	345
Auditor's remuneration – taxation services	**22**	3
Auditor's remuneration – other services re rights issue and MIS acquisition	**1,004**	–
Operating lease rentals – land and buildings	**15,197**	15,482
Gain on cancellation of a contract (Note 7)	**–**	23,925
Provision for impairment of trade receivables (Note 23)	**484**	202

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 2011					
Derivative financial instruments (Note 32)	**–**	**272**	**–**	**427**	**699**
Held-to-maturity investment (Note 21)	**–**	**–**	**6,879**	**–**	**6,879**
Financial asset at fair value through profit or loss (Note 24)	**–**	**8,172**	**–**	**–**	**8,172**
Trade receivables – net of provision (Note 23)	**118,613**	**–**	**–**	**–**	**118,613**
Other receivables excluding prepayments	**9,915**	**–**	**–**	**–**	**9,915**
Due from related parties (Note 25)	**7,509**	**–**	**–**	**–**	**7,509**
Cash and bank balances (Note 26)	**149,377**	**–**	**–**	**–**	**149,377**
Total	**285,414**	**8,444**	**6,879**	**427**	**301,164**
31 December 2010					
Derivative financial instruments (Note 32)	–	–	–	2,517	2,517
Held-to-maturity investment (Note 21)	–	–	6,875	–	6,875
Financial asset at fair value through profit or loss (Note 24)	–	2,500	–	–	2,500
Trade receivables – net of provision (Note 23)	51,669	–	–	–	51,669
Other receivables excluding prepayments	5,660	–	–	–	5,660
Cash and bank balances (Note 26)	210,223	–	–	–	210,223
Total	267,552	2,500	6,875	2,517	279,444

Liabilities as per balance sheet

	Derivatives used for hedging USD'000	Liabilities at amortised cost USD'000	Total USD'000
31 December 2011			
Derivative financial instruments (Note 32)	**1,449**	**–**	**1,449**
Trade payables (Note 33)	**–**	**79,974**	**79,974**
Other payables and accruals (Note 33)	**–**	**238,151**	**238,151**
Borrowings (Note 34)	**–**	**251,125**	**251,125**
Total	**1,449**	**569,250**	**570,699**
31 December 2010			
Derivative financial instruments (Note 32)	2,651	–	2,651
Trade payables (Note 33)	–	57,791	57,791
Other payables and accruals (Note 33)	–	91,886	91,886
Total	2,651	149,677	152,328

Notes to the financial statements
for the year ended 31 December 2011

16 Financial instruments by category (continued)

Company

	Loans and receivables	
	2011 USD'000	2010 USD'000
Cash at bank	**298**	189
Due from related parties (Note 25)	**209,939**	22,619
Total	**210,237**	22,808

	Liabilities at amortised cost	
	2011 USD'000	2010 USD'000
Other payables and accruals	**521**	1,451

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:

	2011 USD'000	2010 USD'000
Trade receivables		
Group A	**11,173**	7,681
Group B	**10,755**	15,933
Group C	**23,056**	2,959
	44,984	26,573

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 in disclosed in Note 32.

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

	2011 USD'000	2010 USD'000
Cash at bank and short-term bank deposits		
Standard & Poor's/Fitch ratings		
AA	**–**	64,973
AA-	**78,122**	109
A+	**55,131**	144,854
A	**13,114**	–
A-	**441**	122
BBB+	**815**	15
BBB	**55**	–
BBB-	**2**	–
BB+	**467**	–
BB	**50**	–
B	**38**	–
Not rated	**629**	–
	148,864	210,073
Cash in hand	**513**	150
Cash at bank and in hand (Note 26)	**149,377**	210,223
Held-to-maturity investment		
AA	**–**	6,875
AA-	**6,879**	–

16 Financial instruments by category (continued)

Company

	2011 USD'000	2010 USD'000
Due from related parties	**209,939**	22,619

Due from related parties is neither past due nor impaired.

	2011 USD'000	2010 USD'000
Cash at bank		
Standard & Poor's ratings		
A+	**–**	189
A	**298**	–
	298	189

17 Property, plant and equipment

	Buildings & 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 2010	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
Additions	11,893	9,887	2,584	859	30,260	55,483
Acquired through a business combination (Note 35)	9,585	14,332	978	517	598	26,010
Transfers	24,309	1,351	131	–	(25,791)	–
Disposals	(26)	(136)	(33)	(650)	–	(845)
At 31 December 2011	**95,015**	**105,657**	**14,038**	**4,925**	**34,962**	**254,597**
Depreciation						
At 1 January 2010	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
Charge for the year	5,297	11,329	1,846	811	–	19,283
Disposals	(26)	(136)	(33)	(492)	–	(687)
At 31 December 2011	**15,412**	**51,021**	**9,853**	**2,955**	**–**	**79,241**
Net book amount						
At 31 December 2011	**79,603**	**54,636**	**4,185**	**1,970**	**34,962**	**175,356**
At 31 December 2010	39,113	40,395	2,338	1,563	29,895	113,304

Buildings have been constructed on land, leased on a renewable basis, from various Government Authorities. The remaining lives of the leases range between three and 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 14,982,000 (2010: USD 10,160,000) has been charged to cost of sales and USD 4,301,000 (2010: USD 3,534,000) to general and administrative expenses (Notes 6 and 10).

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18 Intangible assets

	Goodwill USD'000	Trade name USD'000	Customer relationships USD'000	Leasehold rights USD'000	Work-in-progress USD'000	Total USD'000
Cost						
At 1 January 2010 and 31 December 2010	–	–	–	1,534	1,191	2,725
Acquired through a business combination (Note 35)	180,539	22,335	19,323	8,338	–	230,535
Additions	–	–	–	–	1,800	1,800
At 31 December 2011	**180,539**	**22,335**	**19,323**	**9,872**	**2,991**	**235,060**
Amortisation						
At 1 January 2010	–	–	–	224	–	224
Charge for the year	–	–	–	88	–	88
At 31 December 2010	–	–	–	312	–	312
Charge for the year (Note 10)	–	1,303	2,214	370	–	3,887
At 31 December 2011	**–**	**1,303**	**2,214**	**682**	**–**	**4,199**
Net book value						
At 31 December 2011	**180,539**	**21,032**	**17,109**	**9,190**	**2,991**	**230,861**
At 31 December 2010	–	–	–	1,222	1,191	2,413

Trade name represents the expected future economic benefit to be derived from the continued use of the MIS trade name acquired on acquisition of MIS.

Customer relationships represent the expected future economic benefits to be derived from the existing relationship with key customers resulting in recurring revenue from these customers in the future.

Leasehold right represents a favourable operating right acquired upon the acquisition of JIL and LE FZCO in 2008. This also includes the leasehold rights acquired on acquisition of MIS and existing lease hold rights in the books of MIS on acquisition of Rig Metals LLC 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 terms (five to 17 years).

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

Management reviews the business performance based on the type of business (Note 5). Goodwill is monitored by the management at the operating segment level. Goodwill of USD 180.5m arising due to the acquisition of MIS (Note 35) has been allocated to the CGU within Segment A.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate of 4.3% for Segment A. A discount rate of 9% has been used to discount the pre-tax cash flows projection to the present value. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

19 Investment in subsidiaries

	2011 USD'000	2010 USD'000
Balance at 1 January	**750,018**	748,401
Effect of share-based payments to employees of subsidiaries in accordance with IFRIC 11	**899**	1,617
	750,917	750,018

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 0.9m (2010: USD 1.6m) has been recorded as an increase in investment in subsidiaries with a corresponding credit to retained earnings.

20 Investment in joint ventures

	2011 USD'000	2010 USD'000
Acquired through a business combination (Note 35)	**4,638**	–
Dividend received during the period	**(760)**	–
Share of loss during the period from 14 July 2011 to 31 December 2011	**(8)**	–
	3,870	–

The Group through its acquisition of MIS has gained joint control over the existing joint ventures of MIS (Note 35). Details of the Group's joint ventures at the balance sheet date are as follows:

Name of the joint venture	Place of incorporation and operation	Proportion of ownership	Principal activities
MIS Arabia Co. Ltd.	Jubail, Kingdom of Saudi Arabia	30%	*
KSAM2 Petrodrill Offshore Islands Inc. ("KSAM2")	British Virgin Islands	10%	Building and operation of an oil rig.

* Production, manufacturing and erection of heat exchangers, pressure vessels, tanks, structural steel, piping and other related activities.

Summarised financial information in respect of the Group's joint ventures is set out below:

MIS Arabia Co Ltd

	2011 USD'000	2010 USD'000
Total current assets	**19,298**	–
Total non-current assets	**9,764**	–
Total current liabilities	**(12,809)**	–
Total non-current liabilities	**(3,354)**	–
Net assets	**12,899**	–
Group's share of joint venture's net assets	**3,870**	–

	2011 USD'000	2010 USD'000
Revenue for the period from 14 July 2011 to 31 December 2011	**12,409**	–
Expenses for the period from 14 July 2011 to 31 December 2011	**(12,436)**	–
Loss for the period from 14 July 2011 to 31 December 2011	**(27)**	–
Group's share of joint venture's net loss	**(8)**	–

KSAM2

	2011 USD'000	2010 USD'000
Total current assets	**10,071**	–
Total non-current assets	**161,895**	–
Total current liabilities	**(14,575)**	–
Total non-current liabilities	**(174,326)**	–
Net liabilities	**(16,935)**	–
Group's share of joint venture's net liabilities*	**(1,694)**	–

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20 Investment in joint ventures (continued)

	2011 USD'000	2010 USD'000
Revenue for the period from 14 July 2011 to 31 December 2011	8,562	–
Expenses for the period from 14 July 2011 to 31 December 2011	(8,330)	–
Profit for the period from 14 July 2011 to 31 December 2011	232	–
Group's share of joint venture's net profit*	23	–

* As the Group's share of cumulative losses in the joint venture has exceeded its investment, the carrying value of the investment is Nil. No profit has been recognised during the period from 14 July 2011 to 31 December 2011.

21 Held-to-maturity investment

	2011 USD'000	2010 USD'000
Deposit with a fixed interest rate of 1.75% and a maturity date of 3 October 2012	6,879	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 2011, the fair value of the held-to-maturity investment is USD 6.75m (2010: USD 6.75m).

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.

22 Inventories

	2011 USD'000	2010 USD'000
Raw materials and consumables	14,313	10,889
Less: Provision for slow moving and obsolete inventories	(2,257)	(1,431)
	12,056	9,458

23 Trade and other receivables

	2011 USD'000	2010 USD'000
Trade receivables	**121,722**	54,666
Other receivables and prepayments	**18,577**	13,936
Advances to suppliers	**6,641**	1,563
Receivables from a related party (Note 25)	**484**	–
	147,424	70,165
Less: Provision for impairment of trade receivables	**(3,109)**	(2,997)
	144,315	67,168
Amounts due from customers on contracts	**386,171**	58,013
Contract work in progress (Note 2.2)	**138,267**	125,943
	668,753	251,124

Amounts due from customers on contracts comprise:

	2011 USD'000	2010 USD'000
Costs incurred to date	**1,088,265**	241,300
Attributable profits	**115,552**	47,640
	1,203,817	288,940
Less: Progress billings	**(817,646)**	(230,927)
	386,171	58,013

An analysis of trade receivables is as follows:

	2011 USD'000	2010 USD'000
Fully performing	**44,984**	26,573
Past due but not impaired	**73,629**	25,096
Impaired	**3,109**	2,997
	121,722	54,666

Trade receivables that are less than three months past due are generally not considered impaired. As of 31 December 2011, trade receivables of USD 73.6m (2010: USD 25.1m) 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:

	2011 USD'000	2010 USD'000
Up to 3 months	**52,319**	19,713
3 to 6 months	**9,154**	2,375
Over 6 months	**12,156**	3,008
	73,629	25,096

At 31 December 2011, trade receivables of USD 3.1m (2010: USD 3m) were impaired and provided for. The individually impaired receivables are over six months (2010: over six months) old and mainly relate to customers who are in a 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.

Notes to the financial statements
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23 Trade and other receivables (continued)

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

	2011 USD'000	2010 USD'000
At 1 January	**2,997**	2,795
Provision for receivables impairment (Note 15)	**484**	202
Receivables written off during the year as uncollectible	**(56)**	–
Amounts recovered	**(316)**	–
At 31 December	**3,109**	2,997

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 receivables mentioned above.

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

24 Financial asset at fair value through profit or loss

	2011 USD'000	2010 USD'000
Unlisted equity security	**8,172**	2,500

The amount at 31 December 2011 represents the fair value of the Group's investment (held through MIS) in 8.7% of the equity in Middle East Jackup Ltd ("MEJU"), which owned a jackup rig built by MIS. This rig was sold by MEJU in January 2012 following the successful delivery of the rig by the Group in the last quarter of 2011.

During 2011, a fair value gain of USD 8.2m was recorded in "other gains/(losses) – net" (Note 13) in the consolidated income statement based on management's estimate of the carrying value which represents the amounts expected to be received from MEJU upon winding up its operations.

On 27 November 2009, LEL subscribed for 28,000,000 shares in BassDrill Alpha Limited ("BassDrill") amounting to USD 5m 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.

During 2009, a fair value loss of USD 2.5m was recorded in "other gains/(losses) – net" in the consolidated income statement based on management's estimate of the carrying value. In January 2011, LEL exercised the put option and realised USD 2.6m in respect of this investment.

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.

25 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. Key Management includes Directors (Executive and Non-Executive) and members of the executive committee. Related parties for the purpose of the parent company financial statements also include subsidiaries owned directly or indirectly and joint ventures. Other than 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:

	2011 USD'000	2010 USD'000
Key Management compensation	**7,465**	9,506
Legal and professional services	**804**	140
Sales to joint ventures	**224**	–
Purchases from joint ventures	**73**	–
Sponsorship fees and commissions paid to legal shareholders of subsidiaries (Note 1)	**205**	143

Key Management compensation comprises:

Salaries and other short-term employee benefits	**6,246**	7,988
Share-based payments – value of services provided	**829**	965
Post-employment benefits	**390**	553
	7,465	9,506

The terms of the employment contracts of Key Management include reciprocal notice period of between six to 12 months.

Due from related parties

	2011 USD'000	2010 USD'000
Group		
MIS Arabia Co Ltd (current) (Note 23)	**484**	–
KSAM2 (non-current)	**7,025**	–

The balance receivable from KSAM2 represents an interest-free loan amounting to USD 13.2m with no fixed repayment terms. The amortised cost of this loan using an effective interest rate of 9% per annum on the date of business combination amounted to USD 6.6m. During the post-combination period, the Group recognised an interest accretion on this loan amounting to USD 0.3m which is included as part of finance income (Note 12).

Company

	2011 USD'000	2010 USD'000
LIH^	**201,865**	–
LEL*	**6,442**	19,144
EBT**	**1,388**	3,475
Inspec*	**244**	–
	209,939	22,619

^ Represents funds provided in relation with the acquisition of MIS. This amount is repayable on demand and carries an interest at 6% per annum.
* Primarily comprises a receivable in respect of management fees charged by the Company.
** Includes USD 1,193,319 (2010: USD 3,388,744) 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 10m (2010: USD 5.2m) in respect of shares held by Key Management personnel (including those held by the EBT in respect of shares gifted) of which USD 9.7m (2010: USD 5m) was paid to LHL, a company controlled by Steven Lamprell who is a member of Key Management.

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26 Cash and bank balances
Group

	2011 USD'000	2010 USD'000
Cash at bank and on hand	**43,897**	36,916
Short-term and margin deposits	**105,480**	173,307
Cash and bank balances	**149,377**	210,223
Less: Margin deposits	**(18,127)**	(5,973)
Less: Deposits with an original maturity of more than three months	**(87,353)**	(67,446)
Less: Bank overdraft	**(392)**	–
Cash and cash equivalents (for purpose of cash flow statement)	**43,505**	136,804

At 31 December 2011, the cash at bank and short-term deposits were held with 12 (2010: eight) banks. The effective interest rate on short-term deposits was 1.04% (2010: 2.08%) per annum. Margin deposits of USD 18.1m (2010: USD 6m) and deposits with an original maturity of more than three months amounting to USD 76.8m (2010: USD 42m) are held under lien against guarantees issued by the banks (Note 39).

Company
Cash at bank comprises cash held with one bank.

27 Share capital
Issued and fully paid ordinary shares
Company

	Equity share capital	
	Number	USD'000
At 1 January 2010, 31 December 2010	200,279,309	18,682
Rights issue 29 June 2011	60,083,792	4,870
	260,363,101	23,552

The total authorised number of ordinary shares is 400m shares (2010: 400m shares) with a par value of 5 pence per share (2010: 5 pence per share).

During 2011, EBT acquired 171,565 shares (2010: 722,453 shares) of the Company. The total amount paid to acquire the shares was USD 0.46m (2010: USD 3.5m) and has been deducted from the consolidated retained earnings. During the year, 998,969 shares (2010: 781,574 shares) amounting to USD 2.5m (2010: USD 1.9m) were issued to employees on vesting of the free shares and 449,734 shares (2010: 1,277,138 shares) are held as treasury shares at 31 December 2011. 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).

During the year, the Company issued new ordinary shares of 60,083,792 under a fully underwritten rights issue. The new ordinary shares were issued at a price of 232 pence per share which amounted to net proceeds of USD 216.6m. The differential between the issue price of 232 pence per share and the par value of 5 pence per share amounting to USD 211.8m was accounted for as share premium which is net of transaction costs amounting to USD 9.3m.

28 Legal reserve
The Legal reserve relates to subsidiaries (other than the subsidiaries incorporated in free zones) in the UAE and Sultanate of Oman. In accordance with the laws of the respective countries, the Group has established a statutory reserve by appropriating 10% of the profit for the year of such companies. Such transfers are required to be made until the reserve is equal to, at least, 50% (UAE) and 33.3% (Sultanate of Oman) of the issued share capital of such companies. The legal reserve is not available for distribution.

	2011 USD'000	2010 USD'000
At 1 January	**33**	31
Transfers during the year	**2**	2
At 31 December	**35**	33

29 Other reserve

The amount 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.

30 Merger reserve

	2011 USD'000	2010 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 4m. This acquisition has been accounted for using the uniting of interests method and the difference between the purchase consideration (USD 4m) 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.

31 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 2011 and 2010, using the projected unit credit method, in respect of employees' end of service benefits payable under the labour laws of the countries in which the Group operates. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. The obligation for end of service benefit is not funded.

The movement in the employees' end of service benefit liability over the year is as follows:

Group

	2011 USD'000	2010 USD'000
At 1 January	**18,524**	15,150
Acquired through a business combination (Note 35)	**16,400**	–
Current service cost	**4,298**	2,297
Interest cost	**1,039**	958
Actuarial losses	**3,171**	1,191
Benefits paid	**(3,835)**	(1,072)
At 31 December	**39,597**	18,524

Company

	2011 USD'000	2010 USD'000
At 1 January	**808**	592
Current service cost	**77**	35
Interest cost	**32**	22
Actuarial losses	**150**	159
Benefits paid	**(246)**	–
At 31 December	**821**	808

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

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

Group

	2011 USD'000	2010 USD'000
Current service cost	**4,298**	2,297
Interest cost	**1,039**	958
Actuarial losses	**3,171**	1,191
Total (included in staff costs) (Note 11)	**8,508**	4,446

Of the total charge, USD 6.6m (2010: USD 3.2m) and USD 1.9m (2010: USD 1.2m) are included in "Cost of sales" and "General and administrative expenses" (Note 6 and 10).

Company

	2011 USD'000	2010 USD'000
Current service cost	**77**	35
Interest cost	**32**	22
Actuarial losses	**150**	159
Total (included in staff costs)	**259**	216

The above charge of USD 0.3m (2010: USD 0.2m) is included in "General and administrative expenses".

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	**4.25%**	5.25%
Future salary increase:		
Management and administrative employees	**5.00%**	5.00%
Yard employees	**3.50%**	3.50%

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	2011	2010
Management, yard and administrative employees:		
Below 20 years	**0%**	0%
20 – 29 years	**15%**	15%
30 – 44 years	**10%**	10%
45 – 54 years	**7%**	7%
55 – 59 years	**2%**	2%
60 years and above	**100%**	100%
Executive Directors:		
35 – 39 years	**10%**	10%
40 – 64 years	**7%**	7%
65 years and above	**100%**	100%

32 Derivative financial instruments

		2011			2010		
	Credit rating	**Notional contract amount USD'000**	**Assets USD'000**	**Liabilities USD'000**	Notional contract amount USD'000	Assets USD'000	Liabilities USD'000
Derivatives designated as hedging instruments in cash flow hedges							
– Forward foreign exchange contracts	A+	**8,457**	**427**	**–**	36,310	2,517	–
– Forward foreign exchange contracts	AA, A+	**23,018**	**–**	**1,449**	85,301	–	2,651
Derivatives held at fair value through profit or loss		**2,862**	**272**	**–**	–	–	–
Total		**34,337**	**699**	**1,449**	121,611	2,517	2,651

During 2010, the Group 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 142m. These contracts mature in 2012.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next six 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 2011 are recognised in the consolidated income statement in the period or periods during which the hedged forecast transaction affects the consolidated income statement.

During 2011, the Group entered into three forward contracts to hedge its foreign currency exposure on expected NOK payments with respect to the acquisition of MIS. The notional principal amount at the date of inception of these contracts was NOK 1,864m. These contracts matured 1 September 2011.

A profit of USD 13,083,000 (2010: loss of USD 304,000) was recorded in equity and a profit of USD 3,963,000 (2010: loss of USD 170,000) was recycled from equity to consolidated income statement. A profit of USD 10,166,000 (2010: USD Nil), representing the gain in relation to the three forward contracts to hedge its foreign currency exposure with respect to NOK payments made to the shareholders of MIS was recorded as a basis adjustment to the purchase consideration (Note 35). The net movement in the fair value reserve during the year was a loss of USD 1,046,000 (2010: loss of USD 134,000).

During 2011, prior to being acquired by the Group (Note 35), MIS entered into a forward contract to sell Euros for AED. This derivative did not qualify for hedge accounting and is carried at fair value through profit or loss. The fair value at the 31 December 2011 was USD 272,000.

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.

The derivative financial instruments are gross settled and the maturity profile based on the year end rates of the expected undiscounted amounts payable and receivable at 31 December 2011 is as follows:

	2011 USD'000	2010 USD'000
Receivable		
Within one year	**34,337**	89,061
After one year but not more than two years	**–**	32,550
	34,337	121,611
Payable		
Within one year	**35,154**	88,683
After one year but not more than two years	**–**	32,562
	35,154	121,245

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33 Trade and other payables

	2011 USD'000	2010 USD'000
Trade payables	**79,974**	57,791
Other payables and accruals	**238,151**	91,886
Amounts due to customers on contracts	**118,701**	99,986
Advances received for contract work	**–**	43,557
Dividend payable++ (Note 37)	**12**	51
Payable to related parties	**73**	–
	436,911	293,271

Amounts due to customers on contracts comprise:

	2011 USD'000	2010 USD'000
Progress billings	**427,359**	252,521
Less: Cost incurred to date	**(271,926)**	(133,894)
Less: Recognised profits	**(36,732)**	(18,641)
	118,701	99,986

++ 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.

34 Borrowings

	2011 USD'000	2010 USD'000
Bank overdrafts	**392**	–
Bank term loans	**247,396**	–
Trust receipts	**3,337**	–
	251,125	–

The bank borrowings are repayable as follows:

	2011 USD'000	2010 USD'000
On demand or within one year (current)	**251,089**	–
In the second year (non-current)	**36**	–
	251,125	–

As of 31 December 2011, the Group has banking facilities in the amount of approximately USD 1,372m (2010: USD 796m) with commercial banks. The banks' facilities include bank overdrafts, letters of guarantees, letters of credit and short-term loans.

Bank facilities are secured by lien over term deposits in the amount of USD 75m (2010: USD Nil), the Group's counter indemnities for guarantees issued on their behalf, the Group's corporate guarantee, letter of undertaking, letter of credit payment guarantee, cash margin held against letters of guarantee, assignment of insurance policies over property, plant and equipment and over inventories, leasehold rights for land and certain contract receivables.

The bank facilities relating to overdrafts and revolving facilities carry interest at three/six months LIBOR/EIBOR + 2.5% to 4.0% (2010: LIBOR/EIBOR + 1.5% to 4.0%).

The borrowings at 31 December 2011 are stated net of the unamortised arrangement fees and other transaction costs of USD 3.5m.

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

35 Business combinations

Acquisition of MIS

During the year, the Group acquired 100% of the shares in MIS. MIS is registered in the Republic of Panama and has operations in the Middle East and Kazakhstan. The principal activities of MIS are the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, engineering and construction, safety and training services and other operating and maintenance services. MIS was listed on the Norwegian Stock Exchange. LIH made a voluntary offer to the shareholders of MIS on 19 May 2011 for a consideration of NOK 38 per share. LIH received acceptance from 99.76% of the shareholders of MIS before expiry of the offer on 29 June 2011 and announced that the offer was successful on 30 June 2011. Further, LIH also issued a cash cancellation offer to the option holders of MIS for cancellation of the options held by them and received acceptances from the majority of the option holders before expiry of the cash cancellation offer on 29 June 2011.

LIH settled in cash the consideration payable to the shareholders and option holders of MIS who accepted the voluntary offer and cash cancellation offer respectively on 13 July 2011. Further, LIH extended the mandatory offer in August 2011 to the remaining shareholders of MIS (0.24%) who did not accept the voluntary offer.

Control of MIS transferred to LIH on 13 July 2011. The consideration for transfer of shares of MIS and cancellation of options (Note 9) amounted to approximately USD 337.9m. Management has completed the purchase price allocation in accordance with IFRS 3 (revised) “Business Combinations”.

As a result of the acquisition, the Group is expected to reduce competition and increase its presence in new markets. It also expects to reduce costs through economies of scale and synergies. The goodwill of USD 180.5m arising from the acquisition is attributable to acquired customer base, work force and economies of scale expected from combining the operations of the legacy Group and MIS.

The following table summarises the consideration paid for MIS and the fair value of the assets acquired and liabilities assumed at the acquisition date:

Cash flow on business acquisition:

	USD'000
Cash paid for the acquisition*	337,864
Cash acquired from MIS	(15,647)
Net cash outflow for the purpose of cash flows	322,217

* Net of basis adjustment of USD 10.2m with respect to three foreign currency forward contracts to hedge the NOK exposure (Note 32).

	USD'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment (Note 17)	26,010
Investment in joint ventures (Note 20)	4,638
Trade name (included in intangible assets) (Note 18)	22,335
Customer relationship (included in intangible assets) (Note 18)	19,323
Leasehold right (included in intangible assets) (Note 18)	8,338
Inventories	113,997
Trade and other receivables (net of provision for impairment of USD 4,967,000)	105,048
Loan to a related party (Note 25)	6,606
Derivative financial instruments (Note 32)	72
Cash and cash equivalents	15,647
Borrowings	(51,328)
Trade and other payables	(96,961)
Provision for employees' end of service benefits (Note 31)	(16,400)
	157,325
Goodwill on acquisition	180,539
Total purchase consideration	337,864

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35 Business combinations (continued)
Acquisition-related costs of USD 10.5m have been charged to general and administrative expenses (Note 10) in the consolidated income statement for the year ended 31 December 2011.

The acquired MIS businesses have been comprehensively integrated with the Group's existing businesses. It is therefore impracticable to determine the contribution that the MIS acquisition has made to revenue and profit since the date of acquisition. Similarly, it is impracticable to determine the contribution it could have made had it been consolidated with effect from 1 January 2011.

36 Profit of the Company
The profit of USD 3m (2010: USD 19m) in respect of the Company has been included in these consolidated financial statements.

37 Dividends
During the year (on 25 March 2011 and 26 August 2011), the Board of Directors of the Company approved dividends of USD 29.3m comprising USD 19m (post-rights issue US cents 8.7 per share: pre-rights issue US cents 9.5 per share relating to 2010) and an interim dividend of USD 10.3m for 2011 relating to 2011 (US cents 4 per share). At 31 December 2011, unpaid dividends amounted to USD 12,000 (Note 33) and were in relation to the shares held by EBT.

During 2010 (on 26 March 2010 and 20 August 2010), the Board of Directors of the Company approved dividends of USD 15.2m comprising USD 7.6m (US cents 3.8 per share) relating to 2009 and an interim dividend of USD 7.6m (US cents 3.8 per share) for 2010. At 31 December 2010, unpaid dividends amounted to USD 51,000 (Note 33) and were in relation to the shares held by EBT.

38 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 six and 23 years and are renewable at mutually agreed terms. The future minimum lease payments payable under operating leases are as follows:

	2011 USD'000	2010 USD'000
Not later than one year	**10,239**	6,886
Later than one year but not later than five years	**13,986**	10,816
Later than five years	**46,580**	31,108
	70,805	48,810

(b) Other commitments

	2011	2010
Letters of credit for purchase of materials and operating equipment	**11,902**	3,433
Capital commitments for construction of facilities	**18,730**	13,555
Capital commitments for purchase of operating equipment and computer software	**4,165**	2,416

39 Bank guarantees

	2011 USD'000	2010 USD'000
Performance/bid bonds	**206,964**	126,284
Advance payment, labour visa and payment guarantees	**542,071**	292,126
	749,035	418,410

The various bank guarantees, as above, were issued by the Group's bankers in the ordinary course of business. Certain guarantees are secured by cash margins, assignments of receivables from some customers and, in respect of guarantees provided by banks to the Group companies, they have been secured by parent Company 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.

40 Cash generated from operating activities

	Notes	Year ended 31 December 2011 USD'000	2010 USD'000
Operating activities			
Profit before income tax		**63,478**	65,227
Adjustments for:			
Share-based payments – value of services provided	9	**1,439**	2,060
Depreciation	17	**19,283**	13,694
Amortisation of intangible assets	18	**3,887**	88
Share of loss from investment in joint ventures	20	**8**	–
Loss/(profit) on disposal of property, plant and equipment	13	**(281)**	562
Gain on cancellation of a contract	7	**–**	(23,925)
Fair value gain on financial asset at fair value through profit or loss	24	**(8,262)**	–
Provision for slow moving and obsolete inventories	22	**826**	682
Provision for impairment of trade receivables, net of amounts recovered	23	**168**	202
Provision for employees' end of service benefits	31	**8,508**	4,446
Finance costs	12	**17,965**	5,088
Finance income	12	**(1,804)**	(2,193)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**105,215**	65,931
Payment of employees' end of service benefits	31	**(3,835)**	(1,072)
Changes in working capital:			
Inventories before movement in provision	22,35	**110,573**	32,920
Due from a related party	25,35	**(146)**	–
Trade and other receivables before movement in provision for impairment of trade receivables	23,35	**(312,749)**	(37,908)
Trade and other payables, excluding movement in dividend payable	33	**46,718**	172,927
Derivative financial instruments		**(358)**	–
Net cash (used in)/generated from operating activities		**(54,582)**	232,798

41 Events after balance sheet date

(a) Fire incident

Hull 107, a rig built by MIS and delivered to KSAM2 in 2010, suffered a major incident in January 2012 involving a fire and explosion whilst operating offshore in West Africa resulting in a total loss. The cause of the incident is currently under investigation. The Company, through MIS, holds a 10% equity interest in KSAM2, the owner of the rig. At the time of the incident the rig was on a bareboat charter by KSAM2 to a third party. KSAM2 carries hull and machinery insurance for the full market value of the rig and the Company is confident that recovery will be made pursuant to this insurance.

(b) Dividend

The Board of Directors of LEL has proposed a dividend of USD 425 per share amounting to USD 20.8m at a meeting held on 23 March 2012. In accordance with the accounting policy under IFRS set out at Note 2.16, this dividend has not been accrued at 31 December 2011. This is in accordance with the Isle of Man Companies (Amendment) Act 2010 which required that such proposed dividends should not be recognised until paid or approved by the shareholders.

Following the dividend from LEL, the Board of Directors of the Company has proposed a dividend of 8.0 US cents per share amounting to USD 20.8m at a meeting held on 23 March 2012. In accordance with the accounting policy under IFRS set out at Note 2.16, this dividend has not been accrued at 31 December 2011 (2010: 9.5 US cents per share amounting to USD 19m declared on 25 March 2011 was not accrued at 31 December 2010). This is in accordance with the Isle of Man Companies (Amendment) Act 2010 which required that such proposed dividends should not be recognised until paid or approved by the shareholders.

Definitions

"AGM" – Annual General Meeting

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

"API" – American Petroleum Institute

"ASME" – American Society of Mechanical Engineers

"BassDrill" – BassDrill Alpha Limited

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

"bn" – billion

"BVQI" – Bureau Veritas Quality International

"CAD" – Canadian Dollars

"CEO" – Chief Executive Officer

"CFO" – Chief Financial Officer

"CSR" – Corporate Social Responsibility

"Company" – Lamprell plc

"COO" – Chief Operating Officer

"E&C" – Engineering & Construction

"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

"H_2S" – Hydrogen Sulphide

"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

"m" – Million

"Mercer" – Mercer Consulting Middle East Limited

"MIS" – Maritime Industrial Services Co. Ltd. Inc.

"MIS Arabia" – Maritime Industrial Services Arabia Co. Ltd.

"NB" – The National Board

"NOK" – Norwegian Krone

"O&M" – Operations & Maintenance

"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

"USD" – US dollar

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