Lamprell plc Annual Report and Accounts 2013

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Lamprell

Platform for Development

Lamprell, based in the United Arab Emirates (UAE) and with operations throughout the region, has played a prominent role in the development of the energy industry in the Middle East for over 35 years and is the regional market leader in the rig construction business. Lamprell is a leading provider of diversified engineering and contracting services to the onshore and offshore oil & gas and renewable energy industries and since its IPO in 2006 it has established leading market positions in the construction of shallow-water drilling jackup rigs, liftboats, land rigs and rig refurbishment, as well as an international reputation for complex process modules and topsides.

2013 marked an important turning point for the Group. At the start of the year, we faced a number of challenges but, through the skills and commitment of all our employees, we were able not only to navigate the path to recovery but to deliver significantly improved financial results. To achieve this, the Group has focused on its core markets, played to its traditional strengths and implemented a number of fundamental improvements to its business.

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Financial Highlights

Revenue

USD 1,091.8m

2012: USD 1,025.9m
2011: USD 1,147.9m

EBITDA before exceptional items

USD 86.1m[3]

2012: USD (63.0m)[2]
2011: USD 100.8m[1]

EBITDA $mn

USD 77.7m

2012: USD (67.7m)
2011: USD 90.3m

Net profit/(loss) before income tax and exceptional items

USD 45.9m[3]

2012: USD (105.7m)[2]
2011: USD 74.0m[1]

Net profit

USD 36.4m

2012: USD (111.2m)
2011: 63.3m

Earnings per share – Diluted (cents)

14.0c

2012: (42.7c)
2011: 26.5c

Final dividend (cents per share)

Nil

2012: Nil
2011: 8.0c

Previous years' figures have been normalised in line with current year presentation of results to include exceptional items for all years.

1 Exceptional items during 2011 relate to MIS acquisition costs.
2 Exceptional items during 2012 relate to a regulatory fine and related charges.
3 Exceptional items during 2013 relate to the cost of the debt refinancing.

2013 and 2012 revenues for the year are from the Group's continuing operations only; all other figures for years 2013 and 2012 include the profit from continuing and discontinued operations.

Operational Highlights

- Re-established reputation for strong project execution
- Focused on delivery of seven major projects during FY2013
- World class safety standards consistently being achieved
- Order book of USD 0.9 billion as of 31 December 2013
- Bid pipeline at approximately USD 4.7 billion as of 31 December 2013
- A year of positive developments throughout the organisation

Within Lamprell, we have a total workforce of approximately 10,000 people across multiple facilities with its primary facilities in Hamriyah, Sharjah and Jebel Ali, all of which are located in the UAE. In addition, the Group has facilities in Saudi Arabia (through a joint venture agreement) and Kuwait. The Group's facilities cover a total area of approximately 910,000m² with 2.2km of quayside.

Since our IPO in 2006, we have constructed 15 new build jackup drilling rigs, and converted, upgraded or refurbished more than 150 jackup and land rigs and built modules for nine FPSOs. In other key sectors, we have fabricated modules for land and offshore energy projects and delivered liftboats and wind farm installation vessels to the renewables market. Lamprell has come a long way since first opening its doors as a family business in 1976 and the business is well placed to remain a competitive force in the industry capable of delivering sustainable growth over the long term.

1. Hamriyah Free Zone, Sharjah, UAE
2. Port Khalid, Sharjah, UAE
3. Jebel Ali, Dubai, UAE
4. Dubai Investments Park, Dubai, UAE
5. Saudi Arabia
6. Kuwait

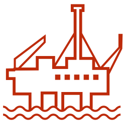
Delivering our expertise

UAE Land (m²)	UAE Quayside (m)	Other Land (m²)	Total
Hamriyah 365,000	Hamriyah 1,400	Saudi Arabia[1] 131,000	Land 909,000m²
Sharjah 210,000	Sharjah 800	Kuwait 10,000	Quayside 2,200m
Jebel Ali 163,000			
Dubai 30,000			

1 A three-way JV between Lamprell, Shoaibi Group and AYTB.

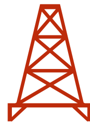
Focusing on our Core Markets

Established market positions and strong track record



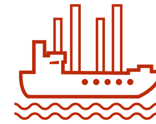
New Build Jackup Rigs

- Established new build jackup rig capability
- Leading non-Asian yard for sub-350 feet rig class
- Larger rigs well within Group's core capabilities



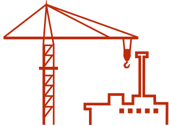
Land Rig Services

- Full suite of land rig refurbishment services
- API accreditation with dedicated facility in UAE
- Regional expansion is a focus



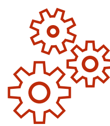
Renewable Energy

- High build quality, to stringent DNV regulations
- Five new build liftboats/wind farm installation vessels built in six years
- Wind turbine foundations and transformer stations within our competency



Offshore Construction

- Strength in complex process module fabrication and general fabrication and site works services
- Specialism in North Sea projects
- Well placed for significant regional opportunities with strong presence and proven track record



Rig Refurbishment

- Regional market leader in rig refurbishment
- Focused on timely delivery and customer satisfaction
- Full refurbishment, upgrade and conversion capabilities

Total order intake for 2013

Market	Value USD '000
Newbuild jackups	USD 385,008
Renewables	USD 440
Offshore construction	USD 52,340
Rig refurbishment	USD 137,498
Land rigs	USD 58,861
Others	USD 122,336
Total	**USD 756,087**

Lamprell recovered well in 2013 after the challenges of 2012 and returned to profitability as a result of strong management and good operational performance, as well as tighter financial controls.

During 2013, the new management team implemented robust project execution plans to deliver our major projects as planned, with much improved financial results. We have committed resources to ensure that we maintain and improve on our existing high standards of safety and quality and we are pleased to note client satisfaction remains positive. Our clients demonstrated ongoing support for the Group as evidenced by several major new contract awards announced during the year.

Corporate governance and Board changes

The Board believes that strong corporate governance is important and it is applying the provisions of the UK Corporate Governance Code. In 2013, the Board continued to improve the Group's management structure and corporate governance standards, and further details are contained in our corporate governance report.

There were several Board and senior management changes principally in the first half of the year. I was pleased to welcome Jim Moffat as the new CEO, Joanne Curin as the new CFO and Michael Press, Ellis Armstrong and John Malcolm as independent Non-Executive Directors. Peter Whitbread moved from an executive to a non-executive role and so we continue to benefit from his vast experience. The reinvigorated Board brings significant industry, strategic and operational experience as well as an international perspective, and I am confident that it will be instrumental in securing Lamprell's future.

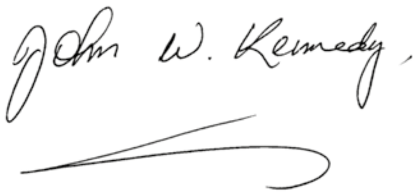
We successfully addressed the concerns raised by the Financial Services Authority (the "FSA", now the Financial Conduct Authority) during the settlement of its investigations in March 2013 and strengthened the Group's systems and processes, as also outlined in our corporate governance report.

The new Board and management team made it their priority to improve transparency of the decision-making process within the Group. Board meetings have included presentations from management on key aspects of the business such as strategy and succession planning. The new management team has conducted an in-depth review of the Group's strategy, and the Board has played an integral part in guiding this process.

The Board has implemented a process for ongoing evaluation of its effectiveness, as well as that of the Board Committees and the individual Directors. The process has confirmed that the Board, Board Committees and individual Directors are performing effectively and provided specific feedback which will enhance Board performance. There have been improvements within the control framework as the Group commenced replacement of its existing ERP system with a

A positive and sustainable future

John Kennedy
Non-Executive Chairman



new integrated system. Implementation is on plan and we expect to see further improvements in the information flow within the Group during 2014.

Finally, in 2013 the Group had more regular communication with its shareholders and the wider investor community. This included formal meetings with investors, analysts and media at various points throughout the year and in particular for the full year and interim results. We place considerable importance on maintaining and further developing our relationships with our shareholders through regular and effective communication.

Stronger financial position

A key development of 2013 was the reinforcement of the Group's financial position. The new finance team introduced stronger financial controls and improved cash management. In June, the Group renegotiated its debt facility and secured longer-term financing totaling USD 181 million. This new arrangement significantly simplified the Company's capital structure, as it reduced the number of lending banks to five, and rationalised the covenants to a common basis.

Dividends

Given the restrictions under the debt facility, the Group will not be paying a dividend for the 12-month period ended 31 December 2013. The Board is acutely aware of the importance of dividends to investors, and will review the Group's dividend policy when its financial position improves further and the constraints have been removed.

Strategy

The Group's primary goals for 2013 were to strengthen the underlying organisation and project execution, and to deliver existing projects effectively and efficiently. Having achieved these goals, the management team undertook a detailed review of our strategy in late 2013 and early 2014. We will focus on growing our core businesses, building on our proven expertise and track record in project execution, together with broadening the Group's reach and client portfolio within its core markets.

In parallel, the Group has started to dispose of non-core service businesses, including the successful disposal of the Inspec service business in March 2014 for USD 66.2 million, the proceeds for which were used to pay down a significant portion of our debt facility.

Conclusion

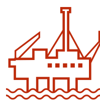
Lamprell made great progress during 2013, improving project execution significantly and addressing the legacy issues, and as a result the Company returned to profitability. In 2013 we implemented a series of productivity and process improvements, as well as certain cost efficiencies, which we plan to continue and develop further during 2014. We have strengthened our business development function and are now working on rebuilding the order book to position the Company for future growth. The Board remains focused on ensuring the business has a strong financial platform to deliver its strategy.

John Kennedy
Chairman
Lamprell plc

"Lamprell made great progress during 2013 and the Board is focused on ensuring the business has a strong financial platform to deliver its strategy."

Key areas of focus for our Board.

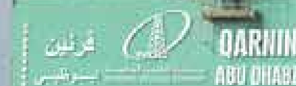
National Drilling Company ("NDC")



Project:	NDC "Qarnin" rig
Type:	LeTourneau Super 116E rig
Facility:	Hamriyah
Delivery:	February 2014

The contract for the NDC "Qarnin" rig was signed in October 2011 and this is the third rig in a series of six identical rigs being built and delivered by Lamprell to the client, NDC. NDC is a major customer for Lamprell for both jackup rigs and land-based rigs.

Close client relations



Q1 JANUARY

- Delivery of jackup rig "Greatdrill Chaaya" to Greatship Group

FEBRUARY

- Second Windcarrier vessel, "Bold Tern" delivered to Fred. Olsen
- Two contracts won for major upgrade and refurbishment of two jackup drilling rigs
- Contract awarded by Jindal Group for construction of one firm jackup rig plus an option for a further rig

MARCH

- Arrival of new Chief Executive Officer, James Moffat
- Lamprell concludes settlement with the Financial Services Authority
- Frank Nelson is appointed as Chief Financial Officer and Executive Director on the Board
- Delivery of a 5,217 tonnes utility platform to an international oil company operating in the North Sea

Q2 MAY

- Board refreshed with arrival of Michael Press, John Malcolm and Ellis Armstrong as Non-Executive Directors

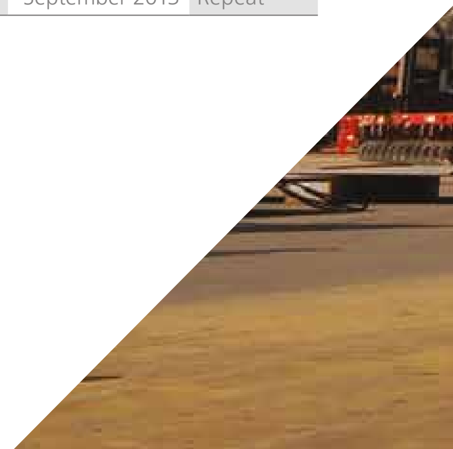
JUNE

- Delivery of a 4,000 tonnes wellhead deck to Nexen for installation in the North Sea "Golden Eagle Area Development"

A year in review – 2013

Major new contract awards

Project	Customer	Segment	Contract value	Award date	New or repeat customer
Dev Drilling	Jindal Group	Oil & Gas – new build jackup drilling rigs	Not disclosed	February 2013	Repeat
Greatships	Greatships Group	Oil & Gas – new build jackup drilling rigs	Not disclosed	August 2013	Repeat
MOS Frontier	Millennium Offshore Services	Upgrade and refurbishment activities	USD 64 million	September 2013	Repeat



Q3 JULY

- Lamprell signs definitive agreement for a new, simplified secured banking facility

AUGUST

- Conditions for new banking facility met and first drawdown occurs
- Financial results for 1H 2013 confirm the Group's return to profitability
- Award of contract by Greatships for the construction of a new jackup rig

SEPTEMBER

- Lamprell is awarded a major rig refurbishment and conversion contract by the Millennium Offshore Services

Q4 OCTOBER

- Joanne Curin joins Lamprell to replace Frank Nelson as Chief Financial Officer

NOVEMBER

- Delivery of the jackup drilling rig "Jindal Star" to Jindal Group
- Delivery of the first of two jackup drilling rigs for use in Caspian Sea region
- Delivery of pre-assembled units to facilitate transportation of gas from Laggan and Tormore fields in the North Sea

Major pressure vessel: Saudi Arabia

2013 marked an important turning point for the Group. At the start of the year, we faced a number of challenges but, through the skills and commitment of all our employees, we were able not only to navigate the path to recovery but to deliver significantly improved financial results. To achieve this, the Group has focused on its key strengths in its traditional business streams and implemented a number of fundamental improvements in its project execution. We anticipate this focus on core markets to continue to form the basis of our business in the near term as we look to build on the performance in 2013.

Year in review

At the time of joining Lamprell in March 2013, I was impressed by the underlying strengths of the franchise but it was clear to me that further actions were required in order to keep the recovery process on track. One of our immediate priorities was to build on the work of the interim management team to improve our operational performance and to complete our existing projects, and in particular the key underperforming projects, as effectively and efficiently as possible.

In order to align the Group's management organisation more closely with its projects, a number of changes were made to strengthen the management team. New appointments included a VP Projects, VP HSE, VP Procurement and VP Finance. Jo Curin joined as CFO in October 2013. More recently, we have recruited a new Chief Commercial Officer and a VP Business Development. This new management team benefits from the combined knowledge within the legacy Lamprell operations and the experience and expertise of the new appointees.

It was also crucial for the growth of the business to develop a strong culture of continuous improvement and we successfully implemented a series of initiatives to enhance project execution and improve efficiencies within the wider business. We instilled a more disciplined and structured approach to our operational performance to drive down our cost base, resulting in a 17% reduction in our facility and corporate overhead costs. As part of this, we developed and regularly monitored key performance indicators. We launched the first phase of a new ERP system which went live in February 2014.

Throughout this same period, it has been my objective to nurture and develop our key differentiators, namely high standards of safety and quality, a commitment to reliability, a keen focus on client satisfaction and a strong management team. It is my strong belief that a safe working environment will deliver significant benefits to the business such as enhanced productivity, client satisfaction and ultimately stronger financial performance. These key strengths form an integral part of the culture of continuous improvement and I am proud to see that we are consistently achieving world class standards on our current projects.

Focused on delivery

In 2013, the Group maintained its position as one of the leaders in construction of new build jackup rigs in the sub-350 feet class. We completed three rigs during the year with an additional rig delivered in February 2014. In total, since 2006, the Group has delivered 15 new build jackup drilling rigs, including eight LeTourneau Super 116E rigs.

Good progress on path to recovery

James Moffat
Chief Executive Officer

During 2013, the Group also demonstrated a strong performance in its offshore construction business stream, delivering two major topside structures on schedule. In November, we completed the final set of process modules to another client for use in the North Sea. These structures further strengthened our reputation for building high quality, large-scale complex decks.

In Q1 2013, the Group also delivered the Windcarrier "Bold Tern" windfarm installation vessel to Fred. Olsen, the fifth liftboat that Lamprell has delivered in six years. Notwithstanding the challenges that we experienced on this complex project, we are very proud of the high quality of the final product, which is operating successfully in the North Sea region.

While the rig refurbishment and upgrade business experienced a quieter year, the Group nevertheless worked on 22 projects during the period. In the second half of the year we commenced work on a major rig conversion and refurbishment project for Millennium Offshore Services group ("MOS"). This project demonstrates the Group's ability and willingness to develop innovative solutions to support its clients, particularly in its core markets.

The land rig segment had a steady year. Highlights include the completion of a fast-moving rig upgrade for National Drilling Company ("NDC") and the design and fabrication of coiled tubing towers for a number of oilfield services companies. The Group also completed the process for certification for its proprietary land rig design and will look to market this to clients during 2014.

Market overview, order book and bidding

Overall order intake during 2013 was lower than in previous years. This was primarily due to delays in project awards and our focus on project execution in our core markets as we repositioned the business for a return to profitability. Despite the challenges facing the business, we retained the support of our clients and secured two major contract awards for the construction of two Super 116E rigs and the contract award from MOS for the largest rig conversion and refurbishment in Lamprell's history.

As we move into 2014, we remain focused on the conversion of our pipeline of opportunities into contract wins. We believe that Lamprell is well placed to win new rig contracts arising from a combination of our key differentiators and the operators' need to replace aging global rig fleets. In the offshore construction sector, we have noted the projected slowdown in overall capital expenditure but, with our strong track record in modular construction projects, we believe that the opportunities in the market for our high build quality and cost efficiency will yield greater returns in the medium to long term.

As at 31 December 2013, the Group's order book was valued at USD 0.9 billion (30 June 2013: USD 1.1 billion). As of 31 December 2013, the Group's bid pipeline was valued at approximately USD 4.7 billion (30 June 2013: USD 4.6 billion), representing the broad range of bids across various business divisions. We have strengthened our business development capabilities and we are in active dialogue with a number of prospective clients for new orders, with the goal of rebuilding the order book.

Strategy

Throughout 2013, we targeted improved project execution and reducing overheads. We have carried out a detailed review of the Group's strategy and concluded that, for the medium term, we will continue to focus on our existing core businesses, namely new build rigs, offshore construction, liftboats, rig refurbishments and land rig services. Our long-term goal is to broaden our offering into related markets including topsides and modular LNG and onshore plants and re-entering the FPSO markets where we have already been successful. With this in mind, we are now focused on maintaining and enhancing our competitiveness by strengthening client relationships in our core markets and improving productivity and cost efficiency.

Outlook

In 2013 the Group made good progress on its path to recovery and we are aiming to build on this in 2014 through the implementation of our strategy. The order intake during 2013 was lower than in previous years and accordingly revenues for 2014 and 2015 are expected to be slightly lower than 2013 while the Group rebuilds its order book. In the meantime, we are focusing on improving productivity and cost efficiency in the business and we expect to start seeing the results from our improvements during the course of 2014, although the full benefit is not anticipated to materialise until 2015.

Jim Moffat
Chief Executive Officer
Lamprell plc

"We are continuing to implement productivity improvements and cost efficiency in the business and we will start to see the benefits during 2014."

Order book and bid pipeline

Order book as at 31 December 2013

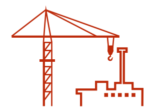
Segment	Value
Newbuild jackups	694m
Offshore construction	30m
Renewable energy	32m
Rig refurbishment	62m
Land rigs	20m
Other	24m

Bid pipeline as at 31 December 2013

Segment	Value
Newbuild jackups	2,155m
Offshore construction	2,084m
Renewable energy	100m
Rig refurbishment[1]	112m
Land rigs	174m
Other	77m

1 Refurbishment value stream has a short bid to award profile and therefore limited order book/pipeline values.

World-class safety standards



Nexen Golden Eagle Development

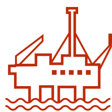
Project:	**Nexen Golden Eagle Development**
Type:	**Wellhead Platform**
Facility:	**Jebel Ali**
Delivery:	**June 2013**

This 4,000 tonne deck was constructed in our Jebel Ali facility for use in the North Sea and was completed to world class standards of safety and quality, confirming Lamprell's reputation as one of the few fabricators in the MENA region that has the expertise and capability to build large scale complex projects.

Macroeconomic factors

Despite the announced slowdown in capital expenditure by major oil companies, global exploration and production capital expenditure is still expected to continue to grow by 3% to 6% in 2014 and market conditions in the drilling and oilfield service sectors, insofar as they relate to the Group, remain favourable against a backdrop of increasing global oil demand.

The primary areas of near-term growth are expected to be in modular onshore developments and in shallow water, medium sized projects and these are well suited to the Group's core capabilities. In the medium to longer term, we anticipate additional market growth from the floating, production, storage and off-loading ("FPSO") and liquefied natural gas ("LNG") sectors, which both require high quality modular fabrication.



New build jackup rigs

The jackup rig market remains highly competitive, with the year ended 31 December 2013, seeing a significant increase in the total number of orders for jackup rigs, including those ordered by customers on a speculative basis. These order levels are expected to result in some market softening during 2014 as operators focus on putting to work units being delivered over the next 18 months.

In spite of medium-term capex budgetary pressures being experienced by the deep water segment, the global shallow water fleet utilisation remains close to record levels, and the average jackup unit day rates remain strong, with reasonable growth over the last year. The global fleet has an average age in excess of 25 years and the inferior economics of aging rigs is leading to a divergence of day rates between older and newer units.

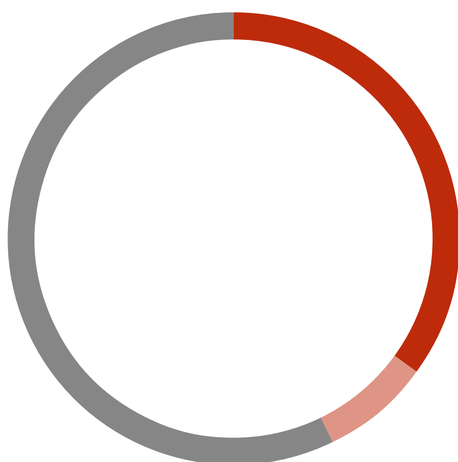
As a result, we expect fleet replenishment to bolster demand and drive a return to order level growth in 2015 and 2016. This market strength is reflected in the Group's strong new build jackup pipeline of USD 2.2 billion.

The market is seeing increased competition from Asia and Lamprell has been affected by an increased willingness of Asian yards to offer clients back-ended payment terms. The impact of this competition has been evident in 2013, where the Group secured two new jackup awards compared to four in 2012. This is reflected in the Group's order book position which at 31 December 2013 was USD 0.9 billion, lower than the previous year (USD 1.1 billion as at 30 June 2013).

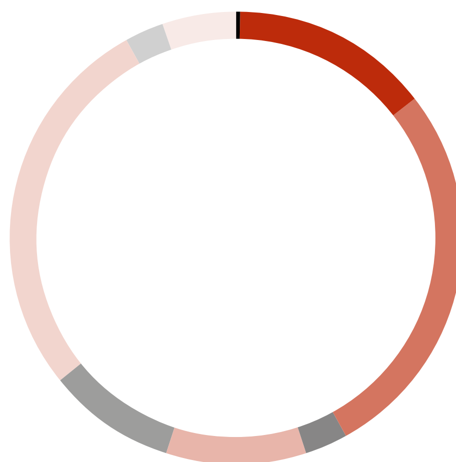
The Group remains one of the leading fabricators of jackup rigs and is committed to delivering high quality units to a broader range of global clients. To support this, the Group is focused on enhancing its facilities and improving productivity.

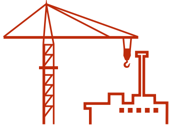
Industry opportunities

Jackup rig global fleet age



Jackup rig – regional location





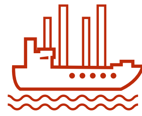
Offshore construction

Over the medium to long term, we expect the Group's offshore construction revenue to be driven by the increasing global demand for modular construction for a range of oil and gas markets. The Group has a strong track record in modular construction and is well placed, both geographically and technically, to service this demand.

The long-run fundamentals in these markets are forecast to remain strong despite the delays in major project awards being a current feature of the industry. This impact is partially offset for the Group by a shift in the mix of spending towards greater shallow water drilling, evaluation and completion activity.

Therefore, whilst we see some challenges in the offshore construction market in the near term we believe that the opportunities in the market for our high quality and cost efficient solutions will yield greater returns in the medium to long term.

In the longer term, we see a return to strength of the FPSO market which represents a strong future opportunity for the Group.



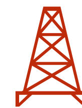
Renewables and multi-purpose liftboats

The new build liftboat market is experiencing two drivers that are acting in opposing directions to moderate demand growth. The first is a lower wind farm installation workload and the second factor is the higher demand for liftboat vessels in the oil and gas sector. Using a liftboat, operators can access an increased proportion of existing fixed platforms and we are seeing orders from major oilfield service companies, particularly in the Gulf of Mexico.

We continue to monitor this market and will bid for those projects where we can leverage our strong track record in liftboat fabrication at an acceptable risk level.

Rig refurbishment and conversions

Whilst jackup rig fleet replenishment has commenced for many operators, we believe that the life cycle extension programmes will also drive continued strength in the refurbishment sector. The significant age of the fleet will lead to long-term replenishment programmes that will run for many years, with older assets either being maintained until they are replaced or converted for alternative use. Major refurbishments and the conversion of old drilling rigs into accommodation units are traditional strengths of the Group and a sector where we are the leading regional provider. However, there are high levels of competition, particularly at the lower end of the market where there are increased numbers of new entrants to the market.



Land rig services

The Middle East region is critically important to the world's oil supply. The growth of planned onshore drilling programmes has accelerated in recent years and the land rig count has grown substantially since the end of 2011, with Saudi Arabia being the primary regional growth area.

This growth is expected to increase demand for regional refurbishment and also provide an opportunity for new build land rigs designed specifically for the Middle East. Both these revenue streams are long-term sustainable drivers of growth for the smallest of our core businesses.

Name: Daan Noothoven van Goor

Job Title: Project Manager

Years at Lamprell: 2

Country of origin: The Netherlands

Lamprell is one of the major key players for delivering quality products to the worldwide energy sector. As a Project Manager for jackup rigs, it is a great pleasure to work with our committed and enthusiastic team to deliver our projects safely, on time, on budget and to the highest quality.

As a result of the challenges in 2012, the Group adopted a "back to basics" approach to its operations by improving project execution, lowering costs and reducing overhead.

"Back to basics" during 2013

We addressed a number of legacy commercial and internal audit issues, implemented a new ERP system in response to the FSA findings and opened a new training school to retrain and increase workforce skills. We have also made significant improvements in safety performance. All of these combined to enable the Group to produce a significant improvement in financial performance in 2013 and were an important first step towards enhancing future competitiveness in our core markets.

Strategy review and implementation

We have carried out a detailed review of the Group's strategy and concluded that for the medium term, we will continue to focus on our existing core businesses namely new build rigs, offshore construction, liftboats, rig refurbishments and land rig services. Our long-term goal is to broaden our offering into related markets including topsides and modular LNG and onshore plants and re-entering the FPSO markets where we have already been successful.

The key elements of our strategy are as follows:

- **Focus on core markets:** We will maintain leading market positions in the construction of shallow-water drilling jackup rigs, liftboats, land rigs and rig refurbishment, and develop further our strong and growing reputation for process modules and topsides for use in the energy industry. We will focus on these markets whilst leveraging our proven expertise in project execution to broaden our reach within these sectors.
- **Productivity and efficiency:** We are improving our productivity, driving down costs and looking to shorten our build schedules to enhance our competitiveness. This will be achieved by optimising yard lay-outs, capturing synergies between major projects and organisational alignment, and by adopting practices from the best European and Asian yards.
- **Continuous improvement:** We are creating a culture of continuous improvement including the use of and reporting against key performance indicators and the capture and embedding of lessons learned across repeat projects.

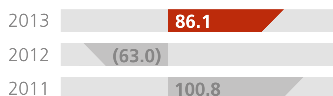
Our Group business model

Key Performance Indicators ("KPIs")

Revenue (USD millions)

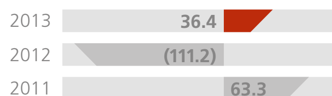
Description
Measures the level of operating activity and size of the business.

EBITDA (USD millions)



Description
EBITDA means earnings before interest, tax, depreciation, and amortisation and provides a measure of the operating cash flows for the business.

Net profit/loss (USD millions)

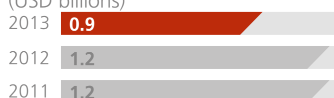


Description
Measures net profitability of the business.

Safety: LTI (rate per 200,000 man hours)

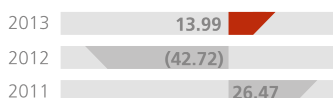
Description
Lost time frequency rate.

Order book as at 31 December (USD billions)



Description
The Group uses this KPI as a measure of the visibility of future revenues.

EPS (diluted) (cents per share)

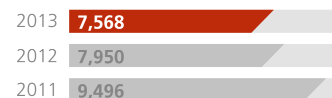


Description
Indicates net profitability on a per share basis, taking into account changes in the capital structure.

Safety: TRIR (rate per 200,000 man hours)

Description
Key lagging indicators showing the Group's safety performance.

Headcount (number of employees)



Description
Provides an indication of the Group's service capacity.

- **Client satisfaction and business development:** Our ongoing commitment to customer service and close client relations before, during and after project completion has allowed the Company to benefit from the strong support from our major clients. We are targeting to be the partner of choice for long-term clients. We are strengthening our business development capabilities to achieve this.
- **Leveraging our key strengths:** Lamprell has a long-standing reputation for its strong safety track record, high build quality, reliable delivery and a reputation for working collaboratively with our clients. Our facilities are well-located and well-equipped, and we have an experienced management team and skilled and committed workforce in place. Our objective is to build on these strengths to differentiate ourselves against competitors.
- **Value for money:** With the combination of our key strengths and competitive cost structure, we believe we present an attractive proposition to clients, delivering superior value for money.

Non-core businesses

Consistent with the above strategy and as already announced in August 2013, we are reviewing the Group's ownership of certain non-core service businesses. As announced on 3 March 2014, we entered into an agreement to sell the Inspec service business for USD 66.2 million. The process for the disposal of the other non-core services businesses is ongoing but negotiations are at a preliminary stage. The sale of these services businesses may not proceed if acceptable terms cannot be agreed and is subject to Board approval.

Types of contracts

The contracts governing the Group's projects primarily fall into two categories: lump sum contracts and cost reimbursable contracts.

The majority of the Group's projects, including most of the new build projects, are undertaken on a lump sum, or fixed price, basis. In lump sum contracts, the Group receives a predetermined amount for its services, and the profit is dependent upon the Group's ability to minimise its costs and achieve the delivery dates.

Cost reimbursable contracts usually comprise schedules of pre-agreed labour, equipment and project management hourly or daily rates and the materials procurement; the supply of consumables and the works carried out by subcontractors are normally reimbursed at cost plus an agreed percentage mark-up. This type of contract is most common in the upgrade and refurbishment of jackup rigs.

Our Business Model
– Continuous Improvement Cycle

2013 was a year of recovery for Lamprell. Following the completion of a number of underperforming projects and improvements in execution during the year, the Group returned to profitability faster than previous expectations.

Results from operations

In the 12-month period ended 31 December 2013, the Group's total revenue was slightly up year-on-year at USD 1,091.8 million (2012: USD 1,025.9 million). The increase was driven primarily by the new build oil & gas and new build renewables segments, which recorded higher revenue of USD 580.2 million (2012: USD 493.6 million) and USD 95.1 million (2012: USD 66.4 million) respectively. In total, during 2013 the recognised revenue for the Group included revenue on 10 jackup rigs and two liftboats. Of note, we completed the Windcarrier 2 "Bold Tern" liftboat to Fred. Olsen in February and in November, we delivered the first of two Caspian jackup rigs without further deterioration to our profitability for 2013.

The offshore construction segment also performed very well with five projects under construction and three delivered to the clients during the period. The segment reported revenue of USD 195.6 million (2012: USD 179.7 million).

These revenue increases were partially offset by lower revenues from the upgrade and refurbishment of USD 122.5 million (2012: USD 176.9 million), which was impacted by delays in the timing of clients' maintenance schedules as well as increased competition in the market. Other revenue also decreased to USD 98.4 million (2012: USD 109.4 million) due to lower activity in our minor engineering and construction projects.

Cost of sales decreased from USD 1,053.6 million in 2012 to USD 976.5 million in 2013, resulting in the recovery of the gross margin to 10.6% (2012: negative gross margin of 2.7%). The overall recovery in the margin was supported by improved project execution and overhead costs savings at the facility level, although 2013 margins were partially suppressed by the three legacy contracts referred to above.

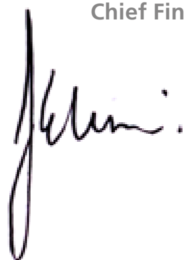
Overhead costs were broadly flat year-on-year excluding exceptional items and a one-off write-off in respect of the Group's legacy ERP system. General and administrative expenses were USD 62.3 million (2012: USD 71.4 million).

The operating profit for the year from continuing operations was USD 52.9 million against a loss of USD 94.9 million for the previous comparative period. This improved profitability came primarily as a result of the successful completion of underperforming projects (Windcarrier 2 and the first Caspian rig), cost savings in our core businesses and significantly better performance of one of our service businesses, Litwin, which in 2013 recovered from the substantial losses of the previous year.

EBITDA for the period was USD 86.1 million (2012: negative USD 63.0 million), which included both continuing operations and the Inspec service business (which are discontinued operations), with the EBITDA margin at 7.7% (2012: negative 6.0%).

Improved execution and efficiencies

Joanne Curin
Chief Financial Officer



Finance costs

Net finance costs in 2013 increased marginally to USD 22.2 million (2012: USD 21.5 million). Excluding exceptional items, net finance charges were lower by 36% in 2013 as compared to the previous year due to lower interest costs, which was principally due to a lower level of average debt. The 2013 costs include an exceptional charge of USD 8.4 million arising from costs related to the refinancing of the Group's debt facilities (see "Borrowing and debt refinancing" below).

Net profit and earnings per share

The Group reported a net profit of USD 36.4 million after the exceptional financial charge but including USD 5.7 million from the Inspec service business, the disposal of which was completed on 3 March 2014 (the Group reported a net loss (after exceptionals) of USD 111.2 million for the previous year). We see this as a very positive result given the fact that the Group had to overcome many legacy issues from the previous year and made significant changes to the business and operations during 2013.

The fully diluted earnings per share for the 12-month period ended 31 December 2013 were 13.99 US cents (2012: negative 42.72 US cents).

Cash flow and liquidity

The Group's net cash generated from operating activities for the 12-month period ended 31 December 2013 was a net inflow of USD 117.7 million (2012: net inflow of USD 249.9 million). Prior to working capital movements and the payment of employees' end of service benefits, the Group's net cash inflow was USD 105.3 million (2012: net outflow of USD 43.0 million).

The Group's liquidity has improved significantly in 2013 with unrestricted cash increasing to USD 277.1 million (2012: USD 126.4 million). The positive EBITDA and release of short-term deposits under lien due to completion of a number of large projects, as well as a positive movement in working capital, drove this strong performance.

The Group's net cash as at 31 December 2013 was USD 183.8 million (2012: USD 104.1 million).

Borrowing and debt refinancing

On 18 July 2013, the Group concluded negotiations with its lenders by entering into a new Senior Secured Syndicated Facilities Agreement with a syndicate of banks under which such banks made available certain facilities with an aggregate amount of USD 181.0 million, consisting of: (a) a term facility A of USD 100.0 million with a final maturity on 30 June 2016, which is subject to an amortisation schedule commencing on 30 June 2014; (b) a term loan facility B of USD 60.0 million with an original final maturity on 30 June 2016, which is subject to a one-year extension, at the election of the Company; and (c) a revolving facility of USD 21.0 million maturing on 30 June 2016. Term loans A and B referred to in (a) and (b) above were used to refinance the then outstanding funded financial indebtedness of the Group under the 2011 facilities agreement, whilst the Group will use the revolving facility for its general corporate and working capital purposes. These new facilities, which sit alongside the Group's continuing bilateral unfunded facilities, provided a significant simplification of the Group's funded facilities and consolidated the Group's borrowing with a smaller and more cohesive banking syndicate.

The period-end outstanding borrowing was USD 160.8 million (31 December 2012: USD 159.3 million).

In view of the substantial pay-down of debt during 2014, the Group is exploring its options for the optimal long-term funding structure.

Post balance sheet event

Post the year-end, on 3 March 2014, the Group announced the sale of one of its service businesses, Inspec, to Intertek Testing Services Holdings Limited for a total cash consideration of USD 66.2 million.

Sale of the Inspec service business has triggered a mandatory repayment clause in our debt facility agreement resulting in the Group paying down a substantial part of the term loan facility B which is the high cost portion of the secured debt facility.

Going concern

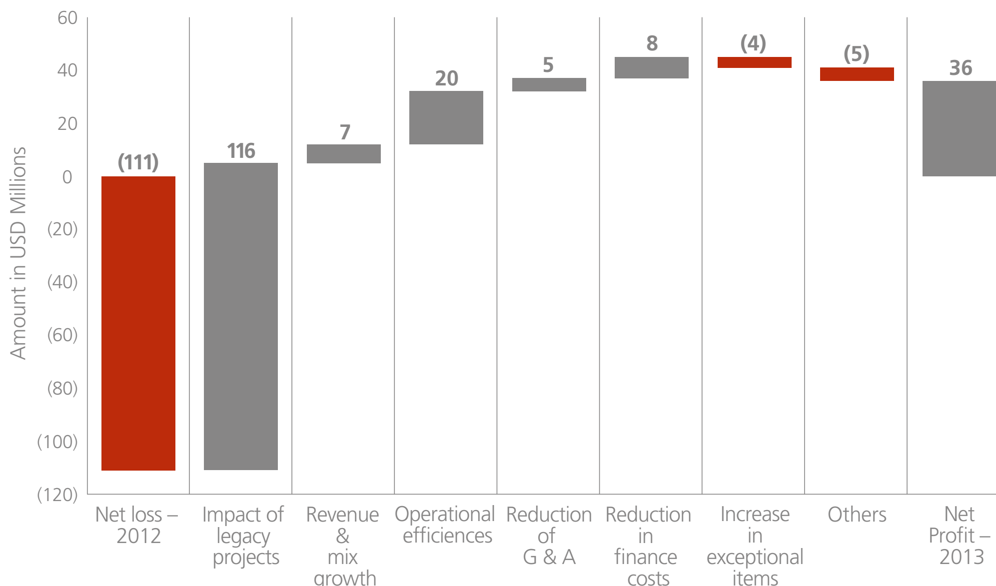
After reviewing its cash flow forecasts for a period of not less than 12 months, from the date of signing of these financial statements, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Dividends

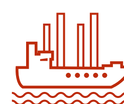
Given the restrictions under the Group's existing debt facility the Group will not be paying a dividend for the 12-month period ended 31 December 2013. The Board is acutely aware of the importance of dividends to investors and we will review the Group's dividend policy when its financial position improves further and the constraints have been removed.

Joanne Curin
Chief Financial Officer
Lamprell plc

Movement in net profit – 2012 to 2013



High build quality



Fred. Olsen Windcarrier – "Bold Tern"

Project:	Fred. Olsen Windcarrier – "Bold Tern"
Type:	MSC Gusto NG-9000 Wind Farm Installation Vessel
Facility:	Jebel Ali
Delivery:	February 2013

The "Bold Tern" is the second turbine installation vessel to be delivered by Lamprell to the Norwegian operator, Fred. Olsen. Designed and built to stringent DNV regulations, the "Bold Tern" brings new standards of delivery to the industry and is equipped to operate in harsh environmental conditions.

During 2013, the Group focused on project execution and improved productivity and cost efficiency. We successfully completed a number of key projects, introduced significant operational improvements and secured several major contract awards.

Operational and organisational improvements

With the aim of instilling a strong culture of continuous improvement, we conducted a full review of our management structure and business processes during 2013, which identified areas that would build on our existing controls and improve our overall performance.

We introduced the standardisation of procedures and have driven efficiencies across the new build jackup rig programme. Specifically, we have seen improvements in the management of commissioning activities with greater vendor coordination, improved scheduling between projects and the development of a completions management system, which will also be one of the most important tasks in 2014. These improvements have had a positive effect on our bottom-line results for 2013 where we have seen reductions of approximately USD 25 million in the facility and corporate support costs. We have identified opportunities to reduce costs further.

One of our key focus areas has been to improve the health, safety, and environment ("HSE") performance, which is critical for the safety of our employees and translates into enhanced operational and financial performance for the business. We successfully built on our existing strong safety record at all three of our principal facilities.

Our overall Total Recordable Injury Rate ("TRIR") for 2013 was 0.67 (2012: 0.85) and in total, there were more than 33 million man-hours with only three lost time incidents. We launched various HSE initiatives and campaigns, including notably the OHSAS18001 and ISO14001 accreditations, a heat stress awareness campaign, monthly HSE indicator scorecard as well as HSE audits and training. By monitoring HSE leading and lagging indicators, we have identified trends which will enable us to maintain our consistently strong HSE standards.

We continue to seek opportunities to improve our environmental performance and thereby reduce our overall carbon footprint. Lamprell provided key environmental data as part of the 2013 CDP (Carbon Disclosure Project) reporting programme.

On the quality side, we monitored our weld repair rates closely as they can be a key indicator of our performance levels and may be required for accreditation purposes. Our weld repair rates were subject to testing and were averaging well below 1% across our facilities. We can be understandably proud of this achievement.

The Group's management organisation has been changed to align the business more closely with its projects and there have been important additions to the key operational team with a new VP HSE, VP Projects, VP

Improving our performance

Key deliveries

Project	Client	Segment	Vessel type	Delivery date
"Greatdrill Chaaya"	Greatship	Oil & gas – New build jackup drilling rigs	Le Tourneau S116E	January 2013
Windcarrier "Bold Tern"	Fred. Olsen	Renewable energy – Wind Farm Installation Vessels	Gusto MSC NG-9000C	February 2013
North Sea project	International oil company operator	Oil & gas – New build offshore facilities	5,217 tonne utility platform	March 2013
"Golden Eagle Area Development"	Nexen UK	Oil & gas – New build offshore facilities	4,000 tonne wellhead deck	June 2013
EDC "Neptune"	Eurasia Drilling Company	Oil & gas – New build jackup drilling rigs	Le Tourneau S116E	November 2013
North Sea project	North Sea contractor	Oil & gas – New build offshore facilities	15 process modules	November 2013
"Jindal Star"	Jindal Group	Oil & gas – New build jackup drilling rigs	Le Tourneau S116E	November 2013
"Qarnin"	National Drilling Company	Oil & gas – New build jackup drilling rigs	Le Tourneau S116E	February 2014

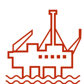
Procurement and VP Finance. This strengthened management team benefits from the combined knowledge within the legacy Lamprell operations and the experience and expertise of the new appointees.

The Group has created a more disciplined and structured approach to bidding with the use of sales scorecards, win strategies and risk management processes and this process has been supervised by a bid review committee. Recently, we have been joined by a new Chief Commercial Officer who is tasked with driving business development activities within the Group and we plan to make further additions to our commercial and business development function during 2014.

We continued to focus on managing our supplier relationships and there was frequent and regular dialogue with the major suppliers, particularly with Cameron LeTourneau which designs and delivers the jacking system for our Super 116E drilling units. Whilst there has been some impact on our operations as a result of Cameron's delivery schedules, we managed the build schedules effectively to ensure timely delivery of our new build jackup rig projects.

Our people are crucial to the success of the business and we have taken steps to demonstrate the career prospects within the Group to our employees. We have installed our own training school, to assess the quality of candidates for promotion and to provide general training and education to develop the overall quality of our staff. During 2013, we also instigated a succession planning programme to develop high potential employees into key roles.

During 2014, we will implement a plan to achieve greater synergies across the delivery of the multiple jackup drilling units between November 2014 and March 2015. This delivery schedule is unprecedented at Lamprell but represents a key opportunity for the business to maximise schedule gains and cost savings through more efficient utilisation of resources and equipment. We have constructed a specific reporting mechanism to track achievements against defined targets and we will be measuring progress as these projects near completion.



Highlights by core businesses

New build jackup rigs

We had a busy 2013 in the jackup rig business segment where revenues were up 17.5% year-on-year. We delivered three jackup drilling rigs along with an additional rig delivered in February 2014. In total, since 2006, the Group has delivered 15 new build jackup drilling units, including eight LeTourneau Super 116E rigs.

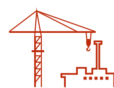
In January, under Peter Whitbread's leadership, we delivered the jackup rig "Greatdrill Chaaya" to the Greatship Group. The rig was delivered on budget and just 18 months after initial steel cutting. In November, the Group delivered the first rig to the Jindal Group, the "Jindal Star." It is testament to the satisfaction of Greatships and Jindal that we were awarded repeat projects by both clients during the year.

Another major milestone was the completion and delivery of the first of two jackup rigs to a client in the Caspian Sea in November 2013. Despite being challenging and highly complex, the project was successfully completed through the hard work of the Lamprell team as well as our partners in Russia. With a view to improving margins on the second Caspian Sea rig, we have implemented various operational changes, including greater involvement of Russian-speaking Lamprell personnel and more regular reporting against project milestones. The Group is making good progress on this second project, with delivery expected in Q4 2014.

Name: Emileo Singh
Job Title: HSES Coordinator
Years at Lamprell: 11
Country of origin: India

To me, working at Lamprell is like being part of a family and I feel respected and valued for what I bring to the Company. As a safety professional, it gives me great satisfaction being in a role where I can make a positive difference, ensuring our employees go home safely at the end of the day.

Moving into 2014, we delivered another Super 116E jackup rig, the "Qarnin", to our largest client, NDC. This is the third rig we have constructed for NDC and we are currently working on three more. In total, we are currently working on six new build drilling rigs, which are all progressing well and are expected to meet their completion targets. They are all being constructed in our facility in Hamriyah, United Arab Emirates.



Offshore construction

In 2013, the Group continued to progress its track record in the offshore construction segment, which includes the construction of offshore fixed structures and process modules as well as minor fabrication and site works.

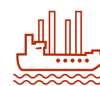
In March, we delivered a 5,217 tonne utility platform to a North Sea operator. This was followed by the delivery of a 4,000 tonne wellhead deck to Nexen in June. Both projects were delivered on schedule. In November, we delivered the final set of process modules to another client in the North Sea. This project achieved a safety record of 2.1 million man-hours without an LTI. We received positive client feedback arising from the high build quality and the excellent safety standards on all these projects.

We have continued work on the topside and jackets for Leighton Offshore which is scheduled for delivery in Q2 2014. There has been considerable growth in this project as well as design changes from the customer but both parties are working together effectively to achieve the revised delivery date.

Back in 2011, Nexen contracted Lamprell to build two decks for the Golden Eagle development, a major North Sea investment. The wellhead deck was delivered in 2013 and the production, utilities and quarters ("PUQ") deck, which will weigh approximately 11,000 tonnes, is progressing according to schedule for delivery in April 2014. In February 2014, the team celebrated 9.5 million man-hours on the two projects without an LTI, which is truly a world class achievement.

These structures have further strengthened Lamprell's reputation as being one of the few fabrication yards within the Middle East – North Africa ("MENA") region that has the expertise and capability to build high quality, large-scale complex decks. We see this segment as a key driver of longer-term growth for the Group.

The Group also supplied site works and general fabrication for smaller regional projects as well as constructed pressure vessels. This is a minor part of this core market but it has been recognised as a potential area for growth because of the high activity levels in the region. One such project was the successful construction and installation of 12 booster compressor packages in the Emirate of Sharjah to assist with handling the increasing demand for gas.



Renewable energy

One of the major milestones in 2013 was the delivery of the wind turbine installation vessel Windcarrier 2 "Bold Tern" to Fred. Olsen. The project was completed five months after the delivery of its sister vessel, the Windcarrier 1 "Brave Tern". These two projects represent the largest two vessels ever built by Lamprell. Their prototype designs presented many challenges but they have proven the Group's ability to take on complex engineering and construction work, and we can be rightfully proud of the high quality of the final products, which continue to operate successfully in the North Sea region.

Highlights by Business Segment

Current project summary

Project	Type	Facility	Expected Delivery
Leighton project	Topside and jackets	Sharjah	Q2 2014
Nexen Golden Eagle	15,500 tonne PUQ deck	Jebel Ali	Q2 2014
NDC 4 jackup rig	Le Tourneau S116E	Hamriyah	Q2 2014
Seajacks "Hydra" liftboat	Gusto MSC NG-2500X	Hamriyah	Q2 2014
MOS rig conversion	MLT116C rig conversion	Sharjah	Q2 2014
EDC "Mercury" jackup rig	Le Tourneau S116E	Hamriyah	Q4 2014
NDC 5 jackup rig	Le Tourneau S116E	Hamriyah	Q4 2014
Dev Drilling jackup rig	Le Tourneau S116E	Hamriyah	Q1 2014
NDC 6 jackup rig	Le Tourneau S116E	Hamriyah	Q1 2014
Greatships 2 jackup rig	Le Tourneau S116E	Hamriyah	Q1 2014

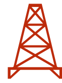
In total, the Group has constructed and delivered five liftboats, two "second generation" vessels for Fred. Olsen and three "first generation" vessels for Seajacks. In addition, the Group is currently building a further vessel, the "Hydra", for Seajacks which is expected to be delivered in Q2 2014.

Rig refurbishment and upgrades

Despite experiencing reduced activity in 2013, the Group worked on a total of 22 rig upgrade and refurbishment projects. Of particular note, in September we completed a major refurbishment project for the "Rowan California" jackup rig. This project achieved more than one million man-hours without an LTI.

In September, we were awarded a major rig refurbishment contract by MOS for the conversion of the "MOS Frontier" jackup rig into an accommodation support vessel for the purpose of accommodating 290 personnel. This is the first project where we have brought a jackup rig onshore for refurbishment which essentially "dry-docks" the rig allowing access from all sides. This demonstrated the Group's ability to develop innovative solutions to support its clients.

While there is increased competition in this market, it remains a core market for the Group where we differentiate ourselves on the basis of quality and reliability for delivery on schedule. We have built close relations with a number of leading regional operators who have brought us repeat business over the years.



Land rig services

The final core business for the Group is land rig services including rig refurbishment, upgrades and the design and fabrication of rig and coiled tubing packages. The area of traditional strength for the Group delivered a steady operational performance in 2013 as we completed a number of site rig inspections, recertifications and refurbishment projects.

NDC, our largest jackup rig customer, is also a key client for land rig services. Following the successful completion of the first "walking rigs" upgrade project for NDC in 2012, we completed a fast-moving rig upgrade for NDC in 2013. This project involved the design, fabrication, installation and commissioning of moving gear for the rig.

The Group also moved a step closer to offering its clients a proprietary land rig design. The 2,000hp fast-moving land rig has received a certificate of compliance by the American Bureau of Shipping. Demand for land rigs remains high, mainly driven by operators in Saudi Arabia, Kuwait, Abu Dhabi and Iraq, and the Group believes that this rig design will strengthen its position in the regional market for which it has been primarily designed.

Current order book

As at 31 December 2013, the Group's order book was USD 0.9 billion (30 June 2013: USD 1.1 billion) and the substantial proportion of this backlog comprises the ongoing works relating to the six jackup rigs currently under construction at the Group's Hamriyah facility. This represents a heavy reliance on a single core business although new build rigs have consistently been the largest segment in recent years. Rebuilding the order book remains the highest priority for the management team, and the business development has been strengthened accordingly.

The low levels of current backlog for offshore construction projects reflects the reduced order intake during 2013 and a key component of the process to rebuild the order book will be to rebalance the portfolio over the coming years. There continues to be demand for shallow water and medium-sized projects in a range of oil and gas markets and this is well-suited to the Group's capabilities and strong track record.

As is normal for rig refurbishments and land rig services, secured backlog is limited. It is typical for such projects to be awarded on short notice and a project may have a duration ranging from a few days up to 12 months.

Name: Henry Buragay
Job Title: Assistant Manager Electrical and Instrumentation
Years at Lamprell: 16
Country of origin: Philippines

I joined Lamprell as an Electrical Design Engineer and have since progressed into a management role. During my tenure the Company has given me the opportunity to develop my skills and knowledge by involving me in different projects including working on production platforms, onshore plants, new build rigs and rig refurbishment. In turn, this experience has helped me to lead and mentor other new joiners.

Effective risk management forms an important part of the Group's culture of continuous improvement.

Given the sector and geographies in which Lamprell operates, risk management is critical to achieving the Group's strategic objectives and both the Board and the management recognise their respective responsibilities to create, implement and monitor the right framework for doing so. However, it is equally imperative that the business is willing to accept a certain level of risk in order to deliver on stakeholders' expectations and create value for the Group. The types of risk can vary substantially but these are the principal risks and uncertainties facing the Group, together with the key mitigating actions or factors to offset each risk.

Many of the mitigating actions listed here are either a work-in-progress or a building block to further improvements. Saying that, 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, and this list does not constitute an exhaustive list of all risks faced by the Group.

Specific risk	Type of risk
Securing new contracts	Strategic
Over-reliance on single product	Strategic
Fluctuations in order book	Strategic
Over-reliance on limited number of customers	
Availability of financing	Financial
Liquidity risk	Financial
Counterparty credit risk	Financial
Failure to deliver projected savings	Financial
Geopolitical risk, changes to fiscal regime(s)	Financial
Equity financing risks	Financial

Business implications	Mitigating actions/factors
Failing to secure contracts at a price and on terms that deliver an acceptable return for the risk undertaken could cause potentially serious financial and resource allocation issues. The Group is working on converting its bid pipeline into firm orders against a backdrop of a highly competitive industry. Demand for the Group's products and services may be adversely impacted by a fall in the levels of expenditure by energy industry companies, or in the market in general.	— Strong bid pipeline of USD 4.7 billion at 31 December 2013 — Long-term and stable relationships with customers, who have awarded repeat contracts to the Group — Strengthened the business development function considerably — Clearly defined strategy to focus on core markets — Conduct customer satisfaction survey and maintain good levels of market intelligence
A significant proportion of the Group's revenue is expected to be generated from its new build jackup drilling rig business, the loss of which would significantly impact its operations and business. As a corollary to the reliance on the single product, the Group is equally heavily dependent on one supplier for a key component part in that single product.	— USD 0.9 billion of backlog at 31 December 2013 with a priority to rebuild the order book, while we rebalance the portfolio — Extending core markets into broader range of markets such as LNG and FPSOs — Greater focus by business development on platform and module construction — Effective and regular communication with main service provider to plan deliveries and identify any likely issues early in the build schedule
The Group's visible order book can fluctuate significantly because the majority of the projects are lump-sum contracts, without long-term commitments, or relate to refurbishment work, which is often short-term work. The Company's customer base is relatively small and our workload is dependent on that relatively small number of significant contracts at any given time, some of which are with the same customers.	— The Group has strong and stable relationships with its customers, a factor which is of particular significance for business in the Middle East — USD 0.9 billion of backlog at 31 December 2013 with a priority to rebuild the order book, while we rebalance the portfolio — Extending core markets into broader range of markets such as LNG and FPSOs — Strengthened the business development function considerably
The Group's growth in the longer term will to some extent at least be dependent on the availability of debt financing.	— Medium-term secured debt facility agreed in mid-2013 and in place for up to three years, providing a financial platform to fund future growth and ensure that there is no impact on operations — Options for alternative or improved financing terms or facilities kept under review by management
The Group's leverage, debt service obligations and requirements to comply with related covenants, may in the longer term adversely affect its business, financial condition and results of operations and it may be affected by difficult conditions in the credit markets. The Group's revenues, cash flow and earnings may vary considerably in any period depending on a number of factors, including its performance on major contracts.	— Adequate levels of liquidity maintained in the form of cash and committed credit facilities, including medium-term secured debt facility agreed in mid-2013 — Effective and regular cash flow forecasting and cash management — Established and reliable credit lines and for long-term financing with lending banks — Financial assets spread across multiple, creditworthy financial institutions
The Group provides its products and services to a variety of contractual counterparties and is therefore subject to the risk of non-payment for products provided and services rendered or non-reimbursement of costs incurred.	— Credit checks on clients for major new contracts, particularly with new clients — Negotiated, effective contractual mechanisms for remedies, to manage commercial risk — Regular use of substantial advance payment amounts
In order for the Group's business model to be effective and for it to remain competitive in its markets, it is essential to manage the overhead costs base and continue to do so on an ongoing basis, failing which there is a risk that it will be unable to maintain market share and/or win new major contracts.	— In 2013 the Group implemented a series of improvements to productivity and cost efficiency, resulting in enhanced financial results for the years. It plans to continue and develop these improvements further in 2014. — Dedicated team created to implement the improvements to productivity and cost efficiency, with regular reporting to senior management.
The Group is subject to the legal, economic and political conditions of operating in emerging markets where legal systems are still developing and which do not offer the certainty or predictability of legal systems in mature markets. Continued instability and unrest in the MENA region may adversely affect the economies in which the Group does business.	— Most of Company's business and personnel are located in the UAE which has a stable fiscal regime and international standards of living — Limited exposure to other countries in MENA, only when undertaken in tandem with a local partner or experienced client — Feasibility studies for major or key projects with unusual characteristics or unfamiliar environment
If funds were raised through the issue of additional shares or other securities, this may have a dilutive effect on existing shareholdings.	— Board evaluates all options for capital structure in determining what is in the best interests of the Company as a whole and its stakeholders — Strong and experienced management team, supported by high quality advisory teams

Specific risk	Type of risk
Project delivery	Operational
Yard capacity and capabilities	Operational
Personnel and management	Operational
Liabilities under contract	Operational
Environmental, health and safety environment	Operational
Major shareholder	Compliance and legal risks
Ethical breaches, regulatory compliance	Compliance and legal risks

Business implications	Mitigating actions/factors
On most projects, the Group operates on the basis of lump sum contracts and is therefore subject to financial or commercial or reputational risk if it fails to operate efficiently, within budget or events occur which prevent the Group from achieving its budgeted costs. To the extent that the Group cannot engage sub-contractors or acquire equipment or materials according to its plans and budgets, its ability to complete a project by the agreed delivery deadline or at a profit may be impaired.	— New management structure with focus on projects resulted in 2013 improved financial performance — Various initiatives to reduce costs and to improve productivity and efficiency in the business — Rigorous contract management to manage commercial risk — Track progress reports at regular project meetings — Effective and regular communication with main service providers to plan deliveries, identify issues — Regular budget forecast reports submitted to management identifying variances to budget
While the Group has significant facility acreage and quayside access in the UAE, these are spread over its four main facilities and accordingly, do not provide the synergies of a single, massive yard. Equally, the Group's facility operations have to some extent grown organically and accordingly do not represent the optimum for flow of project construction.	— New projects are being allocated to specific facilities to raise yard utilisation rates — Review being undertaken of the key facility in Hamriyah to determine optimal facility lay-out — Various initiatives to reduce costs and to improve productivity and efficiency in projects, and in the wider business
In the UAE, the Group faces and will continue to face significant competition for personnel with the skills it requires to sustain and grow its activities, particularly in light of the award of the Expo 2020 to Dubai. If the Group is unable to attract and retain personnel with the requisite skills, the business and prospects of the Group may be adversely affected. As a minimum, it is likely that the Company will be impacted by inflation and rising labour costs, potentially impacting the Group's ability to be competitive on project tenders or bids.	— Use of market-based remuneration packages and of long-term incentive plans for key personnel — Proper succession planning, training school and personnel development tools to ensure that employees see a long-term future with the Group — Implement a clear HR strategy designed to align the business strategy with the goal of attracting and retaining the high quality people — UAE generally has high living standards and provides an appealing home for employees
As part of its standard contractual terms, the Group will provide warranties and accept liability relating to the procurement and/or provision of products and services, and accordingly can be made liable for them in the event of breaches of contract by the Group and that may materially and adversely affect the Company's earnings.	— Strong track record of delivering high quality products and services — Internal policies designed to set limits to Group's contractual liability and risk — Appropriate insurance programme covering key contractual liabilities — Rigorous contract management to manage commercial risk — Keen focus on client satisfaction
The Group conducts its business within an increasingly strict environmental and health and safety framework, with new laws and regulations being issued from time to time, and this may expose the Group to potential liabilities and increased compliance costs.	— High standards of safety within Group including TRIR of 0.67 in 2013 — Appropriate HSE policies and procedures, with regular updates, monitoring and planning — Developing and encouraging a culture of safety awareness and continuous improvement — Effective HSE leadership by way of regular and close oversight by senior management
The Company's major shareholder, Lamprell Holdings Ltd., may have interests or intentions which differ from or conflict with the interests of other stakeholders.	— Lamprell Holdings Ltd.'s shareholding has been stable for a considerable period — Lamprell Holdings Ltd. is a stated long-term strategic shareholder in the Company — Regular communication with major shareholder
The Group operates in some countries which are perceived to have relatively high corruption levels (as rated by Transparency International). Equally, because the Group operates in multiple jurisdictions where the laws and regulations may vary, non-compliance may potentially lead to damage to the business or reputation, and even to claims for compensation or fines.	— Enterprise-wide policies to prevent and/or mitigate the risk of breach or non-compliance — Regular communications from senior management regarding compliance with key issues such as financial integrity — Training programme in progress relating the UK Bribery Act 2010 — External whistleblowing hotline commissioned to enable reporting of non-compliance — Local advice and assistance is obtained to ensure compliance with all applicable laws

Our goal at Lamprell is to build a sustainable business that will benefit all of our stakeholders for years to come. Using the key strengths of first-class safety, quality, reliability, client satisfaction and strong management as the foundation of our business, we pursue opportunities to improve our performance, to minimise our impact on the environment and to contribute to the wellbeing of our employees and the communities in which we operate.

Health and safety

Safety is a fundamental value within Lamprell. In 2013, all three of our major facilities were certified at the internationally recognised OHSAS18001 standard. We also set strategic objectives, KPI targets and key deliverables in the area of health and safety. The KPI targets included zero fatalities, a lost-time injury frequency rate of under 0.03 and a total recordable injury rate of under 0.65. Although we narrowly missed one of our KPI targets in 2013, we made significant progress on all of them, and are in a very strong position to further develop and improve our performance in 2014.

Our major projects passed significant health and safety milestones in 2013. On 21 December 2013, the Nexen wellhead and PUQ decks project, with 9 million man-hours without a LTI, set a new record for us. This is a world-class achievement for a project of this size and complexity.

In 2013 we executed a number of health and safety programmes, including an enhanced heat stress programme aimed at minimising heat-related illnesses among our workers, and a hand injury prevention campaign.

Environment

By their nature Lamprell's activities have an impact on the environment, directly through the conduct of our business operations and indirectly through the products and services we provide to our customers. We have an obligation to our stakeholders to minimise the environmental impact of our Company activities.

In 2013, we successfully obtained certification of our environmental management system to the externally certified ISO14001 standard for each of our major facilities. We started to report our greenhouse gas emissions publicly through the carbon disclosure project, and conducted ambient air and water quality monitoring of pollutants at our facilities.

We significantly enhanced our waste management and minimisation practices. We introduced indoor waste recycling, upgraded our waste liquid storage areas, expanded our outdoor onsite recycling programme and launched our "Managed Print Services" campaign, which reduced our paper consumption by over 50% and paper waste by over 90%.

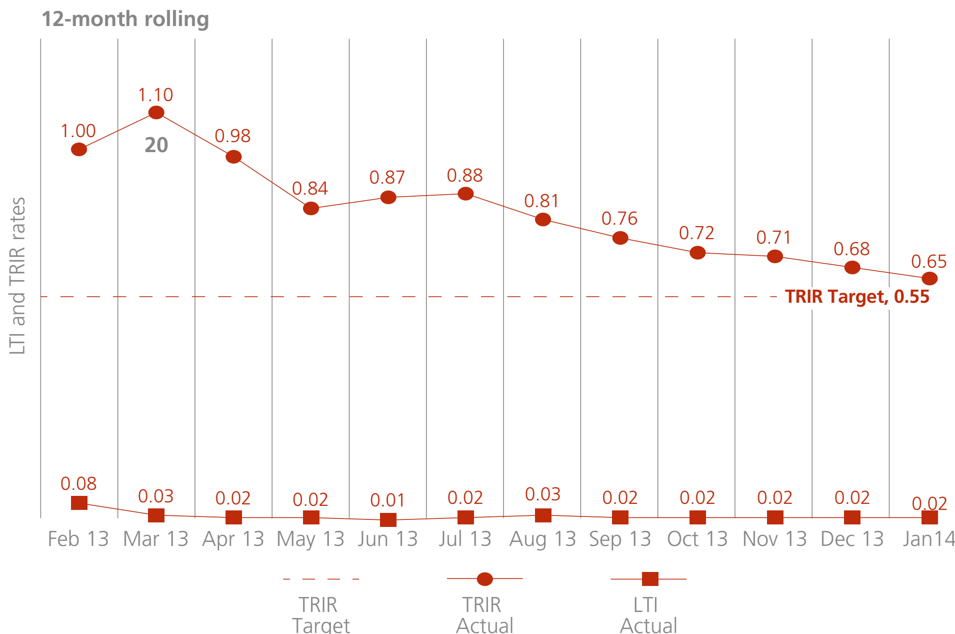
Corporate social responsibility

Collaborating with the communities in which we operate is vital to our business.

In 2013, Lamprell continued its educational programme by hosting MBA students from Villanova University in Pennsylvania at its Hamriyah facility to give them an insight into our operations.

We also continued to support the only non-profit rugby club in the UAE, the Arabian Knights Rugby Football Club. The club is run by volunteers and raises money for the Christina Noble Children's Foundation, which supports poor children in Vietnam and Mongolia.

Embracing our commitments



2013 key health and safety statistics

Metric	Target KPI	Actual outturn
Total man-hours:	–	33,831,170
LTI rate:	0.03	0.02
TRIR:	0.65	0.67
Fatalities:	0	0

We supported the recovery efforts following the devastating typhoon in the Philippines at the end of 2013 by donating USD 10,000, organising a donation of goods from our employees and by supporting a trip for one of our qualified nurses to assist the efforts in conjunction with a registered charity on the ground.

Finally, we made a donation of USD 40,000 to the Don Bosco organisation to support its continuing initiative to provide shelter and accommodation for underprivileged children in India.

Quality

In 2013, Lamprell received the ISO/TS 29001:2010 certification for the Sharjah (Port Khalid) & Jebel Ali facilities from Bureau Veritas. ISO/TS 29001:2010 certification is a Quality Management System Certification specific to the oil, gas and petrochemicals industry, and it is equivalent to API Q1-Eighth Edition Standard. Our Hamriyah Free Zone facility is already certified to both API Q1 and ISO/TS 29001, and this new certification further strengthens our standing in the industry.

In addition, our land rig services (Hamriyah facility) business passed an extensive recertification audit, and we are preparing for a review of the API Q1 ninth edition compliance.

Following successful audits, our principal facilities and our Sharjah facility were recertified ISO 9001:2008 and ASME, respectively.

Performance improvements

In 2013, Lamprell demonstrated good operational performance, having recovered from the challenges of the previous year. However, we need to protect our competitive position in the market and secure sustainable growth. In 2013 we introduced a series of improvements to enhance overall performance:

- **Project Compass:** represented the implementation plan for phase one of our Oracle-based ERP system, namely finance, payroll and human resources. Early in 2013, we recruited a dedicated ERP team led by an experienced ERP project director. The programme was overseen by the senior management from the outset and there was regular progress monitoring and reporting, resulting in delivery on time and on budget. The project team is now undertaking the scoping exercise for phase two.
- **Project Evolution:** we established a dedicated team tasked with implementing the productivity improvements and costs efficiency activities, which in turn will help us to become more competitive and ultimately win more work.
- **Cost Reduction Opportunity Programme ("CROP"):** aims to get all Lamprell employees involved in creating a more efficient, safe and cost effective working environment. We identify opportunities where cost could be reduced by either adapting or altering a current system, process or technology to make it more effective and efficient, or by implementing a new process, system or technology to ensure best practice.

Employee welfare

Employees are at the centre of our business, and their continued training and welfare are critical to our continued success. With that in mind, in 2013 we announced a number of initiatives to invest in our people for the long term.

Firstly, we have announced the opening of the Lamprell Assessment and Training Centre ("LATC") in Sharjah, which is designed to support yard production and project management by providing an independent centre of excellence for technical and HSE training and supervisory assessments. The LATC (together with certain managers) will be responsible for the design and integrity of trade and supervisory assessment methods and materials. All new hire tradesperson candidates will be assessed at the LATC, and no yard promotions will be approved until the candidates have satisfied LATC assessment standards.

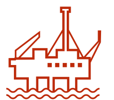
We continued to support measures to protect our employees' health. In May 2013, we held a "Health Screening Camp" offering free health screening at our major facilities in the UAE. In addition, we conducted a breast cancer awareness session, in which our female employees had an opportunity to attend a presentation on the risks and prevention of the disease and discuss any concerns with a specialist doctor.

Name: Rabie Mahmoud Hamdeh
Job Title: Senior IT Systems Engineer
Years at Lamprell: 8
Country of origin: Palestine

I really enjoy coming to work every day knowing I am bringing good value to my team as well as to the Company. I also very much appreciate that Lamprell provides me with a clear, individual personal development plan, helping me to achieve my long and short-term objectives and to give me the visibility for my ongoing career development.

Commitment to Reliability

Greatship Group



Project:	**"Greatdrill Chaaya" rig**
Type:	**LeTourneau Super 116E rig**
Facility:	**Hamriyah**
Delivery:	**January 2013**

Lamprell delivered the rig to the client, the Greatship group, only 18 months after initial steel cutting, on time and on budget. Lamprell modified the spud can design in order to allow the unit to operate in India's offshore waters.

Board of Directors

	John Kennedy **Non-Executive Chairman** Aged 64	**James Moffat** **Chief Executive Officer** Aged 60	**Jo Curin** **Chief Financial Officer** Aged 55
Appointment to the Board	15 June 2012	19 March 2013	1 October 2013
Background and experience	Mr. Kennedy is a highly experienced engineer who spent most of his executive career in the oilfield services sector. He started his career in Schlumberger and then moved to Halliburton where he ultimately held the role of Executive Vice President. From 2003 to 2011 Mr. Kennedy held the position of Executive Chairman of Wellstream Holdings Plc until its successful acquisition by GE in 2009. Currently he serves as an adviser to several oilfield service companies. In 1993, Mr. Kennedy received the Sloan Fellowship, London Business School. He is a Chartered Engineer and fellow of the Institution of Electrical Engineers.	Mr. Moffat has over 35 years of experience in the offshore engineering, construction and project management sectors. From 1996 and until joining the Lamprell Group, Mr. Moffat was employed with KBR group of companies, working in various roles including heading up the KJV on the Gorgon Project, Australia. Mr. Moffat worked for the McDermott group from 1977 to 1996 where he latterly managed the Batam facility in Indonesia. Mr Moffat is a Chartered Engineer and has a BSc (Hons) in Civil Engineering from Edinburgh University and is a member of the Institution of Civil Engineers.	Joanne Curin has over 20 years' experience working in senior finance roles across various sectors. Most recently, she has been a Non-Executive Director and the Chair of the Audit Committee for both WS Atkins plc and Deep Ocean Group Holdings AS. During the period from 1998 until 2011, Joanne held senior management roles in a number of large organisations including CFO for Lend Lease Corporation and CFO for P&O. Ms. Curin has a Bachelor of Commerce from Auckland University and is a member of the Institute of Chartered Accountants.
External appointments	Non-Executive Director of CRH plc Non-Executive Chairman of Maxwell Drummond International Limited and BiFold Group Limited	None	Non-Executive Director of Deep Ocean Group Holdings AS
Committees	Member of the Nomination & Governance Committee	None	None

Michael Press
Senior Independent Director
Aged 67

27 May 2013

Michael Press acts as a Director to a number of companies in the energy sector, notably in the role of Lead Independent Director for Chart Industries, Inc. and as a Non-Executive Director for Thermon Group Holdings, Inc. Previously, Mr. Press served as Senior Independent Director at Petrofac Limited for nine years until 2010. Prior to that he spent 27 years in the energy sector in senior management positions.

Mr. Press has a BSc in Mathematics from Colorado College and Master of Science in Operations Research from Columbia University School of Engineering, NY.

Non-Executive Director of Chart Industries Inc.

Non-Executive Director of Thermon Group Holdings, Inc.

Non-Executive Chairman of TWMA Ltd.

Chairman of the Remuneration Committee

Member of the Audit & Risk Committee

Ellis Armstrong
Non-Executive Director
Aged 56

27 May 2013

Ellis Armstrong is a senior executive within the energy industry with wide international experience. Mr. Armstrong has worked for more than 30 years with BP, where he held a variety of operational and leadership roles including line operating roles in the North Sea and Alaska, VP for Latin America and Caribbean, Head of Technology and, most recently, CFO.

Mr. Armstrong is a Chartered Engineer with a BSc and a PhD, both in Civil Engineering, from Imperial College, and a Masters in Business Administration from Stanford.

None

Chairman of the Audit & Risk Committee

Member of the Nomination & Governance Committee

John Malcolm
Non-Executive Director
Aged 63

27 May 2013

After 25 years with Shell International Exploration and Production, John Malcolm retired from the Shell group at the end of 2010 to become an independent consultant to the energy industry. During his tenure at Shell, he held various senior management positions including most recently as MD for Petroleum Development Oman from 2002-2010.

Mr. Malcolm has been a Chartered Engineer with the UK Engineering Council since 1979 and has a Ph.D. in Process Control Systems, from the Heriot Watt University which he obtained in 1975.

Non-Executive Director of Foster Wheeler AG, Partex Oil & Gas (Holdings) Corp., Aquamarine Power Ltd., Oman Oil Co. Exploration & Production LLC and a Director of Bellwood Enterprises Ltd

Chairman of the Nomination & Governance Committee

Member of the Remuneration Committee

Peter Whitbread
Non-Executive Director
Aged 69

4 October 2012

A Chartered Quantity Surveyor with over 35 years of experience in the oil & gas services sector, with extensive experience in marine construction and project management, heavy marine equipment and vessels companies, Peter was appointed as the CEO of Lamprell in 1992. He held this position until May 2009 and was also the Chairman of the Group until 5 February 2008. During his career he has held a number of other senior management positions and directorships with marine construction companies in the Middle East region.

None

None

Directors' Report

The Directors present the Annual Report on the affairs of the Company and the Group together with the financial statements and the auditor's report for the year ended 31 December 2013. 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, contracting and fabrication services and products to the energy industry and in particular to the onshore and offshore oil and gas and renewables industries. 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 2013 are set out on pages 63 to 105. The Group's profit from continuing and discontinued operations after income tax and exceptional items for the year amounted to USD 36.4 million (2012: loss after income tax and exceptional items of USD 111.2 million).

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2013.

There was an increase of USD 36.8 million (2012: reduction of USD 129.4 million) in retained earnings for the year ended 31 December 2013 representing the profit for the year, adjustments for share-based payments and remeasurement of post-employment benefit obligations. For details refer to the Consolidated Statement of Changes in Equity on page 67.

Business review and future developments

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement on pages 4 to 5, the Chief Executive Officer's Report on pages 10 to 11, the Business Review on pages 22 to 25, and the Financial Review on pages 18 to 19.

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 principal risks and uncertainties can be found on pages 26 to 29.

Corporate governance and corporate social responsibility

The Corporate Governance Report, which also includes the Sustainability Report, on pages 30 to 31 and 39 to 48 provides full details on the efforts made by the Company in the areas of corporate governance, corporate social responsibility and sustainability activities within the business.

Directors' Remuneration Report

Details of Directors' remuneration for the year ended 31 December 2013 can be found in the Directors' Remuneration Report on pages 49 to 61. This includes both the Company's policy on remuneration as well as the Annual Remuneration Report for the year ended 31 December 2013.

Directors

The Company's Articles of Association provide for a Board of Directors consisting of not fewer than two but not more than 12 Directors, who manage the business and affairs of the Company. The Directors may appoint additional or replacement Directors, who shall serve until the next Annual General Meeting (the "AGM") of the Company at which point they will be required to stand for re-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. In accordance with the Company's Articles of Association, Michael Press, John Malcolm, Ellis Armstrong, Joanne Curin and Peter Whitbread will retire and will offer themselves for reappointment at the Company's 2014 AGM.

The Directors who served in office during the financial year were as follows:

- John Kennedy
- James Moffat (appointed on 19 March 2013)
- Joanne Curin (appointed on 1 October 2013)
- Peter Whitbread
- Frank Nelson (resigned on 31 October 2013)
- Michael Press (appointed 27 May 2013)
- John Malcolm (appointed 27 May 2013)
- Ellis Armstrong (appointed 27 May 2013)
- Jonathan Silver (retired on 27 May 2013)
- Colin Goodall (retired on 27 May 2013)
- Deena Mattar (retired on 27 May 2013)

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Remuneration Report on page 59.

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 25 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 50 to 55 of the Directors' Remuneration Report and in Note 10 to the financial statements. During the year the following awards of ordinary shares of 5 pence were granted:

	Granted		Outstanding	
	2013	2012	2013	2012
Lamprell plc Free Share Award Plan ("FSP")	Nil	287,500	127,500	217,500
Lamprell plc Retention Share Plan ("RSP")	Nil	Nil	Nil	Nil
Lamprell plc Executive Share Option Plan ("ESOP")	Nil[1]	Nil	Nil	Nil
Lamprell plc Long-Term Incentive Plan ("LTIP")	Nil	507,216	157,471	271,388

1 No awards were made to Executive Directors under this plan in 2013. However, please refer to the commentary on page 57 for details of the incentive mechanisms used in order to attract and recruit the interim executives and the permanent CEO during 2012 and 2013. Please see the Directors' Remuneration Report on pages 49 to 61 for more details.

The awards under the Lamprell plc FSP, RSP and LTIP 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 14,686 (2012: 14,686) ordinary shares of 5 pence, representing less than 0.01% (2012: 0.01%) 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 2013 AGM to make market purchases of up to 26,000,000 ordinary shares of 5 pence. This authority will expire at the 2014 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 GBP 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 2013 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 25 March 2014, 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 issued total of ordinary shares	% of total voting rights
Lamprell Holdings Limited	86,234,127	33.12
Schroder plc	33,963,942	13.05
Prudential plc group of companies	15,038,090	5.77
Massachusetts Financial Services Co	13,328,527	5.12
Legg Mason Inc	12,968,030	4.98
Norges Bank	7,935,281	3.05

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 2014 AGM will be held at Level 15, Rolex Tower, Sheikh Zayed Road, Dubai, United Arab Emirates on Tuesday 10 June 2014 at 10:00 am (UAE time). The notice of meeting and an explanatory circular to shareholders setting out the AGM business will accompany this Annual Report.

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 (2012: nil), and made charitable donations amounting to USD 50,000 (2012: USD 62,708).

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 2013 was PricewaterhouseCoopers ("PwC"). PwC has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming AGM.

Going concern
The consolidated financial statements have been prepared on a going concern basis. After reviewing its cash flow forecasts for a period of not less than 12 months from the date of signing these financial statements, the Directors have a reasonable expectation that the Group will have 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 information has been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate 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 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 Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 34 to 35 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Directors' Report contained on pages 36 to 38 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Subsequent events
Post the year-end, on 3 March 2014, the Company announced the sale of one of its service businesses, Inspec, to Intertek Testing Services Holdings Limited for a total cash consideration of USD 66.2 million.

By order of the Board

Alex Ridout
Company Secretary
25 March 2014

Corporate Governance Report

Committee membership

Audit & Risk Committee:	Length of service on Committee:
Ellis Armstrong[1]	0.5 years
Michael Press	0.5 years

Nomination & Governance Committee:	Length of service on Committee:
John Malcolm	0.5 years
John Kennedy	1.5 years
Ellis Armstrong	0.5 years

Remuneration Committee:	Length of service on Committee:
Michael Press	0.5 years
John Malcolm	0.5 years

Senior Independent Director
Michael Press

1 Financial Expert on the Audit & Risk Committee.

Letter from the Chairman

Over the recent years, there has been a keener focus from the investor community both for effective corporate governance and for improved disclosures by listed companies and at Lamprell we are looking to take on board such comments from stakeholders. For that reason, I was pleased to oversee a number of positive developments in these areas.

Through the major changes at the Board level, we created an excellent balance of complementary strengths with the arrivals of Jim Moffat and Jo Curin as CEO and CFO respectively and with Michael Press, Ellis Armstrong and John Malcolm being appointed as new Non-Executive Directors. Peter Whitbread moved across from an executive to a non-executive role and so we continue to benefit from his vast experience of both the industry and Lamprell's business specifically.

Among the executive management team, there have been considerable changes as well where a number of managers at the Vice President level have joined the Company since the beginning of 2013. It is testament to the underlying strength of the Company's reputation that so many senior managers wanted to join the management team in spite of the difficulties faced in 2012.

The new management team, led by Jim Moffat, conducted an in-depth review of the strategy of the Company and the Board has played an integral role in guiding the process. In early 2013 the then management team repositioned the Company to focus on its core markets and deliver on its existing projects. As a result of the subsequent strategy review, the team has formulated business plans so as to develop each of the core businesses in ways to ensure that Lamprell is competitively positioned for sustainable growth over the long term.

There have also been corporate governance improvements within the control framework. An acknowledged weakness within the business related to our ERP system and so it was reassuring to see our internal team successfully launch phase one of our new ERP system in December, on time and on budget.

The Board has implemented a process for ongoing evaluation of its effectiveness, as well as that of the Board Committees and the individual directors. The process has confirmed that the Board, Board Committees and individual Directors are performing effectively and specific feedback was given to enhance performance.

We achieved a great deal during 2013 but we recognise that we still have much to do. With the strong management team now in place and with the new Board keen to deliver improved returns to shareholders, we will be aiming to raise the corporate governance standards within the Company further during 2014.

John Kennedy
Non-Executive Chairman
Lamprell plc
25 March 2014

Leadership by the Board

Role of the Board and its principal Committees

The primary role of the Board is to provide leadership of the Company and to ensure that the Company delivers sustainable growth over the longer term to its shareholders and other stakeholders. It achieves these goals by making decisions relating to a number of key areas for the business, by overseeing the activities of the executive management team, and by delegating certain matters for resolution through the principal Board Committees, namely the Audit and Risk Committee, the Remuneration Committee and the Nomination and Governance Committee.

The Board retains sole discretion to make determinations in relation to key areas and these are defined in a formal schedule of matters reserved to the Board, the principal matters being:

- Consideration and approval of the strategy for the Company
- Approval of the annual budget, financial statements and interim financial statements
- General oversight of the Group's operations
- Internal controls and the Company's overall corporate governance arrangements
- Authorisation for material contracts in excess of USD 100 million
- Major acquisitions, investments and disposals
- Matters relating to the Company's capital structure
- Approval of the dividend policy
- Appointments/removals of Directors and Board composition

The activities of the three principal Board Committees are detailed in the relevant written terms of reference, which are reviewed annually and are available on the Company's website.

Board composition and key roles

As at 25 March 2014, the Board has seven Directors, consisting of the Non-Executive Chairman, four Non-Executive Directors ("NED") and two Executive Directors. The Board of Directors represents a strong combination of industry, regional and operational experience, supported by the diverse professional skills of the Non-Executive Directors and their roles are summarised as follows:

Chairman

John Kennedy has been the Company's Non-Executive Chairman since 15 June 2012 and he leads the Board and all general meetings within a solid corporate governance framework, and he ensures that the Board provides effective leadership for the Group including strategy and direction.

Chief Executive Officer

James Moffat took over the role of CEO (from the Interim CEO, Peter Whitbread) with effect from 1 March 2013. As CEO, he leads the Executive Directors and the senior executive team in the day to day running of the Group's business, including execution of the Group's business plans and objectives and communicating its decisions/recommendations to the Board.

Chief Financial Officer

Jo Curin only recently joined the Group in October 2013, taking over from the previous CFO, Frank Nelson, who left the Group for personal reasons. Jo's primary role comprises the management of the various finance function and activities within the Group, information technology and interaction with the banking and financial investor community.

Senior Independent Director ("SID")

Michael Press is the current SID within the Group and has been in the role since 27 May 2013. Michael is available to shareholders or other stakeholders if they have any concerns for which contact through the normal channels of the Chairman, the CEO or the CFO cannot be resolved or for which such contact is inappropriate.

Non-Executive Directors

Michael Press, John Malcolm and Ellis Armstrong are considered by the Board to be independent NEDs in accordance with the definition of the UK Corporate Governance Code 2012 (the "Code"). Peter Whitbread acted in the capacity as an Executive Director until 13 February 2014 when the Board approved his revised role as a NED (although he is not considered to be independent for the purposes of the Code). The NEDs fulfil a critical role to constructively challenge all recommendations presented to the Board for approval and to provide the benefit of their experience and expertise to manage risk within the Group and enhance delivery of the overall strategy.

The biographical information and commitments of each of the Directors are detailed on pages 34 to 35. The memberships for each of the principal Board Committees are detailed on page 39.

Board independence

The Board considers that independence is a matter of judgement and therefore it believes that the independent NEDs should be free from any business or other relationships that could materially interfere in the exercise of their independent judgement, in compliance with the provisions of paragraph B.1.1 of the Code. The Chairman of the Board was, when appointed, also independent in accordance with the definition of the Code.

The Board has been in compliance with the provisions of the Code regarding independence on the Board since the changes at the Board in May 2013, since when at least half of the Board (excluding the Chairman) have been and continued to be considered as independent NEDs. However, until May 2013, the Board was not in compliance with the Code as less than half the Board were independent NEDs, namely only Colin Goodall and Deena Mattar. It should also be noted that, at the time of publication of this report, the Board is actively searching for additional candidates for an independent NED and the Company will make announcements in that regard as required.

Board: key discussion topics during 2013
The Directors regularly discussed certain agenda items at every Board meeting but the management team also presented on key business topics at the meetings, as summarised below:

Key agenda items at every Board meeting:			
Safety update on enterprise-wide statistics			
CEO's report including update on major projects			
CFO's report including regular updates on banking			
Legal and corporate governance matters			
Reports from the Committees			
Private session between the Chairman and NEDs			
Key business topic presentations at various Board meetings:			
February 2013: Review of service businesses	March 2013: None	May 2013: Electronic papers	July 2013: Regulatory framework and corporate governance
August 2013: Marketing and business development	November 2013: Personnel and HR	January 2014: Strategy	

Board attendance
During 2013, while the Board met in person seven times as originally planned, the Board remained heavily engaged with the management team in discussing and resolving issues arising on an urgent basis and so many additional meetings were convened by telephone conference call as well, resulting in a total of 20 meetings. Accordingly, all Directors committed sufficient time to address matters requiring Board involvement. Attendance by the Directors at the meetings of the Board and its Committees during 2013 is summarised in the table below:

	Board	Audit & Risk Committee	Remuneration Committee	Nomination & Governance Committee
Total Number of meetings	20	5	9	5
Current Directors				
John Kennedy[1]	20	0	2	5
James Moffat[2]	16	n/a	n/a	n/a
Joanne Curin[3]	1	n/a	n/a	n/a
Peter Whitbread	20	n/a	n/a	n/a
Michael Press[4]	11	3	7	n/a
Ellis Armstrong[4]	12	3	n/a	3
John Malcolm[4]	13	n/a	7	3
Former Directors				
Jonathan Silver[5]	6	n/a	n/a	2
Colin Goodall[5]	6	2	2	2
Deena Mattar[5]	6	2	2	2
Frank Nelson[6]	14	n/a	n/a	n/a

1 John Kennedy was a member of the Audit Committee until 27 May 2013, prior to which date there were only two Committee meetings in 2013.
2 James Moffat joined the Board on 19 March 2013.
3 Joanne Curin joined the Board on 1 October 2013.
4 Michael Press, John Malcolm and Ellis Armstrong joined on 27 May 2013.
5 Jonathan Silver, Deena Mattar and Colin Goodall retired on 27 May 2013.
6 Frank Nelson joined the Board on 21 March 2013 and then left the Board with effect from 31 October 2013.

Board appointments, induction and development
Appointments to the Board are ordinarily made after a formal, rigorous and transparent process under the supervision of and based on the recommendation of the Nomination & Governance Committee to the Board. The composition and activities of the Committee are explained at page 39. The Company makes the terms and conditions of appointment of the NEDs available for inspection at the registered office of the Company during normal business hours and also at the Company's AGM 15 minutes prior to the meeting and during the meeting.

All new Directors are provided with formal induction to the Company upon their appointment. The programme is designed to cover Companies Act requirements, dealing restrictions as outlined in the Disclosure and Transparency Rules and the Model Code on Directors' dealings in securities contained in the Listing Rules of the Financial Conduct Authority in the United Kingdom, Board and business related matters, meetings with senior management and other key stakeholders including the Company's major shareholder. In addition, in May 2013, the new independent NEDs were able to benefit from a full-day handover session with the out-going NEDs.

The Company is in the process of developing a "culture of continuous improvement" and as part of that Directors are encouraged to refresh their knowledge and skills and to keep up-to-date with the latest developments in corporate governance, financial reporting, the energy construction industry and wider market conditions. Further, as can be seen above at page 41, there are regular presentations on key topics at every formal Board meeting and these include briefings on legislative and regulatory developments. The Audit & Risk Committee receives briefings from the external auditors on any new accounting requirements or developments. However, as a general principle, given the experience and skills of its Directors, identification of other training needs is best left to individual discretion.

Retirement and re-election of Directors
In accordance with the Company's Articles of Association, all Directors are subject to re-election at the first AGM after their appointment and one third, or the number nearest to one third of the Board, shall retire from office at every AGM. Any Director who has been in office for more than three years at the start of an AGM shall also retire. Accordingly, Michael Press, John Malcolm, Ellis Armstrong, Joanne Curin and Peter Whitbread will retire and will offer themselves for reappointment at the Company's 2014 AGM. As a "smaller company", the Company is not required to comply with section B.7.1 of the Code and the Board considers that this is appropriate in light of the fact that all of the Directors have been appointed recently.

Board processes
The agenda for each Board and Committee meeting is considered by the relevant Chairman or Committee Chairman and the papers for each meeting are distributed by the Secretary to the Board or members beforehand. As a standard agenda item during the scheduled Board meetings in person, the Chairman and NEDs meet without the executives present. The Chairman maintains regular contact with both the Executive Directors and with the NEDs, outside of Board meetings or calls, in order to discuss specific issues.

In further recognition of the need for continuous improvement, the Chairman instigated greater structure around Board proceedings, including standard meeting agendas, the use of electronic papers and modular presentations by management on a range of topics on a rotating basis, giving the Board greater visibility on key areas for the business. The use of electronic papers for all Board and Committee meetings is aimed at improving overall efficiencies and reducing the environmental impact of unnecessary paper consumption. It is envisaged that this will be extended through the Group's governance structures to the executive committee in early 2014.

Performance evaluation process
The Board instituted its annual performance evaluation process notwithstanding the considerable changes at the Board level, having determined that the process would still provide valuable feedback. Each of the Directors completed a detailed questionnaire evaluating the performance of the Chairman, the Board, each of the principal Board Committees and each of the individual Directors. The SID did not meet without the Chairman present to review the performance of the Chairman but the Chairman's performance was reviewed as part of the evaluation process. Certain key executives that have regular interaction with either the Board or the Board Committees were also invited to complete similar questionnaires.

The results from the questionnaires (and comments provided) were collated independently by the Company Secretary and summarised on an aggregated basis. The Chairman of the Nomination & Governance Committee then presented a summary of the results to the Board and specific feedback was noted for enhanced performance.

The Nomination & Governance Committee plans to refine the performance evaluation process for 2014 with a review of the documentation and possible involvement of external parties for independent feedback.

Remuneration of Directors
The principles and details of Directors' remuneration, as well as the composition and working of the Remuneration Committee, are contained in the Directors' Remuneration Report on pages 49 to 61.

Insurance
The Company maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually by the Board and is determined to be appropriate in the circumstances.

Board support
The Company Secretary is responsible to the Board, is available to individual Directors in respect of Board procedures and provides general support and advice. He ensures that the Board is kept properly informed and is consulted on all matters reserved to it, and that written materials and other information are delivered in a timely fashion.

The Directors are also entitled to take independent professional advice, at the Company's expense, if required.

Ellis Armstrong
Chairman of the Audit Committee

Audit & Risk Committee

The Committee has expanded its remit in light of the need for more direct oversight by the Board into the Company's risk management processes

Audit & Risk Committee report

Membership for the Audit & Risk Committee is detailed on page 39. The Committee is chaired by Ellis Armstrong, who took over the chairmanship from Deena Mattar in May 2013.

Role and remit

In 2013, the Board decided to expand the remit of Committee in light of the need for more direct oversight by the Board into the Company's risk management processes. Accordingly, the name and the terms of reference for the Committee were amended to reflect this extended role.

The Committee's main roles and responsibilities are as follows:

- Monitor the integrity of the Company's annual and interim reports, preliminary results announcements and any other formal announcement relating to its financial performance
- Review and challenge all financial reporting matters
- Review the Company's risk management system and internal control system, and the Company's annual statement on risk and internal control systems
- Consideration of matters relating to the appointment and activities of the Company's external auditors as well as the independence of the Company's auditors
- Consideration of matters relating to the charter, resourcing and reporting of the Company's internal auditors, as well as the annual plan for the internal auditors
- Review of the effectiveness of the Group's system of internal controls
- Monitoring the procedure to ensure that employees may raise ethical concerns in confidence
- Review the Group's key enterprise-wide policies and procedures for preventing and detecting fraud and bribery, its code of business conduct and compliance with legal requirements

Key Committee activities during 2013

The Audit & Risk Committee met five times during the year and the attendance at its meetings is reported on page 41.

The Committee's main activities during 2013 were as follows:

- The financial statements for the Group, both for the financial year 2012 as well as 1H 2013
- Review of the risks relating to the Group and the risk management process
- Review of the internal audit reports, outstanding action points and the 2014 plan
- External auditor's independence, objectivity and the effectiveness, as well as the auditor's forthcoming activities
- Ongoing assessment of the control environment and systems and specifically the improvements to the systems and controls (some of which were noted in the Company's Annual Report for 2012)
- Anti-bribery and corruption policy and procedures for the business

Key judgements

The two significant issues considered in relation to the financial statements are as follows:

- The Committee considered the carrying value of goodwill and the assumptions underlying the impairment review. The judgements in relation to goodwill largely relate to the assumptions underlying the calculations of the value in the business and the integrated nature of the business as a whole. This area is a key area of focus for the external auditor and its reporting obligations to the Committee.
- The Committee considered the appropriateness of revenue recognition and estimated cost to complete on major projects ongoing at the balance sheet date. The Committee satisfied itself that the Company's financial statements had been prepared on the basis of the accounting policy and noted that the external auditors had audited the methodology on that basis.

The Committee was satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts.

Composition and other attendees

The Committee is comprised of members that are considered to be wholly independent (for the purposes of and within the definition of the Code). The Company's auditors (both internal and external) are invited to attend certain meetings. On occasion other Board members have attended and the CFO is regularly invited to attend meetings, although at least once a year the Committee meets with both the Company's external and internal auditors without any members of management being present.

External auditors – activities

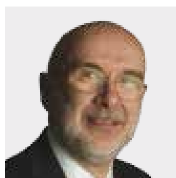
PwC acted as the Company's external auditors throughout the year and provided the Committee with relevant reports, reviews and information and the Committee adjudged that they remained effective. The Committee assessed the effectiveness of the external audit process by seeking feedback both from the external auditors themselves and from the CFO and VP Finance. In making the assessment, the Committee had due regard to their expertise, resourcing and independence. The effectiveness of the external auditors is also apparent through the challenges that they present to the views and positions of management. The Committee remains satisfied of PwC's effectiveness.

The Board notes that, as from October 2012, the Code recommends the external audit be put to tender every 10 years. PwC was originally appointed as the Group's auditors on engagement since the Company's IPO in 2006. However, in March 2010, the Company issued a competitive tender for the provision of external audit services and, following that tender process, PwC was awarded a further letter of engagement to provide such services to the Group. Accordingly, given the relatively limited passage of time since the last tender, the Committee does not intend to tender the engagement at this time but will continue to monitor the relationship and matter in line with best practices.

External auditors – independence

The Group has previously adopted a Policy on Auditor Independence (which is available on the Company's website) and has considered the activities of PwC and in particular the levels and types of non-audit services. In accordance with UK regulations, PwC adheres to a partner rotation policy based on best practices which the Committee considers to be an important part of the ability of PwC to remain independent and objective in its activities. In light of the above, the Committee is satisfied that the incumbent external auditor PwC remains fully independent, and accordingly has recommended to the Board that a resolution to reappoint PwC is proposed at the 2014 AGM. The Board concurs with the recommendation of the Committee.

The Committee has overall responsibility for ensuring that the external auditors' independence and objectivity are not compromised. One of the key risks to this is the provision of non-audit services by the external auditor. During 2013, in addition to undertaking the external audit, PwC was also engaged to provide other advice including in connection with support for the Group's corporate transactions. No other significant non-audit related services were provided during the financial year. Policies and review mechanisms both governing the provision of material non-audit services, and safeguarding the objectivity and independence of the external auditor, remained in force throughout the financial year.



John Malcolm
Chairman of the Nomination & Governance Committee

Nomination & Governance Committee

With a keener focus from the investor community for effective corporate governance, Lamprell has implemented a number of positive developments in this area

Nomination & Governance Committee report

Membership for the Committee is detailed on page 39. The Committee is chaired by John Malcolm, who took over the chairmanship from John Kennedy in May 2013.

Role and remit

The role of Committee expanded during 2013 in light of discussions at the Board, which decided that the Committee could add value not only by reviewing the composition, size and structure of the Board but also by overseeing governance matters within the Group. Accordingly, the name and the terms of reference for the Committee were amended to reflect this.

The Committee's main roles and responsibilities were as follows:

- Periodic review of the structure, size, composition, skills, knowledge, diversity and experience required of the Board
- Identify and nominate for approval any candidates to fill any vacancies on the Board
- Before appointment is made by the Board, to evaluate the balance of the Board and prepare a description of the role and capabilities required
- Review the leadership needs, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the market place
- Consider succession planning, both for the Board and for senior management
- Recommend the members of the Audit & Risk and the Remuneration Committees
- Give due consideration to and advise the Board on compliance with laws and regulations, including the Code and the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules
- Consider situational conflicts notified by Directors and to raise such conflicts to the Board
- Lead the annual process for evaluating the performances of each of the Board, the principal Board Committees and the individual Directors

Key Committee activities during 2013

The Nomination & Governance Committee met five times during the year and the attendance at its meetings is reported on page 41.

The Committee's main activities during 2013 were as follows:

- Direct responsibility for the processes leading to the appointments of the three NEDs in May 2013 as well as the new CFO, Jo Curin, in October 2013
- Determining the "Qualifications Guidelines for Board Directors" following a formal, rigorous and transparent selection process, reducing long lists of candidates down to short lists, followed by interviews and nominations to the Board
- Playing a key role in directing the efforts by the various external consultants to find the new NEDs and the new CFO

Independence and external consultants

The Committee is comprised of members that are considered to be wholly independent (for the purposes of the Code) and, in light of feedback from specific shareholders, the Board changed the chairmanship of the Committee from John Kennedy to John Malcolm, one of the new independent NEDs. The Committee also makes use of the services of several executive recruitment consultants for its searches, both for candidates to fill Board vacancies but also for senior management appointments and, during the relevant period, the Committee has used Korn Ferry and Maxwell Drummond for such matters.

Board diversity

The Company is aware of its responsibilities to diversify at the Board level. With this in mind, the Board was understandably disappointed that Deena Mattar decided to retire from the Board in May 2013. However, the Board was pleased to welcome Jo Curin as an Executive Director in October 2013, thereby demonstrating its ongoing commitment to diversity. The Committee actively considered a diverse range of applicants and continues to review candidates to fill vacancies on the Board; an important consideration has been and will continue to be the determination to achieve greater diversity.

Remuneration Committee

Remuneration Committee report

Membership for the Remuneration Committee is detailed on page 39. The Committee is chaired by Michael Press, who took over the chairmanship from Colin Goodall in May 2013.

Role, remit and key activities

The primary function of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and designated members of its senior management team, as well as remuneration policy for the Group as a whole. The remuneration of the Non-Executive Directors is a matter for the Chairman and the Executive Directors. No Director or manager may be involved in any decisions as to his own remuneration. The terms of reference for the Committee were reviewed and revised during the year to reflect this role.

The Remuneration Committee met (including various meetings by conference calls) nine times during the year and the attendance at its meetings is reported on page 41. Details of the Committee's main activities during the year can be found in the Director's Remuneration Report on pages 49 to 61.

Other Board Committees

The Board and the principal Board Committees may also delegate authority from time to time to an ad hoc sub-committee or task force, as may be required to review or manage a specific matter. The Board or relevant Board Committee will determine the terms of reference, membership and processes of such sub-committee or task force, as necessary.

Executive Committee

2013 was the first full year for the re-constituted Executive Committee ("ExCom") to contribute to leading the day-to-day business of the Group. The ExCom met regularly to discuss and make decisions on critical strategic, operational and financial matters (including the review of major risks facing the Group) relating to management of the business, prior to making recommendations to the Board or a principal Board Committee. It meets at least once per month and comprises certain members of the executive management team lead by the CEO.

Conflicts of interest

The Board has procedures in place for the disclosure of conflicts of interest. Prior to appointment, director-elects provide information on any conflicts of interest by means of a questionnaire, and thereafter potential conflicts are considered during each Board meeting as they arise.

Potential conflicts of interest

Name	Title	Conflict
John Kennedy	Chairman and Director of Maxwell Drummond	Company uses them for some recruitment searches
John Malcolm	Director of Oman Oil Exploration & Production	Company views a company related to this entity as a potential client

In each case, the Board considered the declared interest and determined that no conflict was present and that none of the above instances impedes the Board's decision-making processes. Each Director is aware of his or her duties to avoid a situation where he or she has a potential actual conflict of interest, the requirement to keep the same under review and to inform the Chairman and the Company Secretary of any change in circumstances, which are duly minuted.

Securities dealing policies and codes

Details of the shares and interests held by the Directors are set out on page 59. Lamprell has a Share Dealing Code that applies to all Directors and persons discharging managerial responsibility, as well as an Insider Dealing and Market Abuse Policy which applies to all employees. Under the Share Dealing Code, Directors are required to obtain clearance from the Chairman and CEO before dealing in Lamprell's securities. Directors and persons discharging managerial responsibility are prohibited from dealing in Lamprell's securities during designated prohibited periods and at any time at which any individual employee is in possession of inside information (as defined in the relevant legislation). This policy adopts the terms of the Model Code, as set out in the Listing Rules published by the UK Listing Authority.

Statement of compliance with the Code

The Company is incorporated in the Isle of Man and has a Premium Listing on the Official List of the London Stock Exchange. The Board believes high standards of corporate governance are integral to the delivery of the Group strategy and so the Board maintains a strong commitment to achieving the highest standards of corporate governance with the application of the provisions of the Code to the business. The Company aims to comply with the provisions of the Code and details on how we have applied the principles of the Code to our activities (as well as any exceptions to the Code) are set out and explained above in this Corporate Governance Report, in the Directors' Report on pages 36 to 38 and/or in the Directors' Remuneration Report on pages 49 to 61.

A copy of the Code is available on the website of the Financial Reporting Council at www.frc.org.uk.

UK Bribery Act 2010

The UK Bribery Act 2010 came into effect in July 2011 and Lamprell has implemented a suite of anti-bribery and corruption policies and procedures that it considers to be appropriate in the circumstances to ensure that all employees are aware that compliance with the law is of paramount importance to the Company. This forms part of the overall code of business conduct for the Lamprell employees and we expect and require all such employees to maintain the highest standards of ethics and compliance with the anti-bribery laws of the country in which they are operating. As part of this programme, all managers as well as employees in sensitive positions undergo regular and detailed anti-bribery training which comprises attendance at a training session, completion of an online e-learning module and annual certification of compliance.

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 36 to 38.

The Directors as at the date of this report consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Risk management and internal controls

The primary responsibility for developing and implementing internal control and risk management procedures covering all aspects of the business lies with the executive management team. As part of the improved reporting processes, the Board regularly receives comprehensive written reports covering all such aspects from the CEO and the CFO at each Board meeting in person. In addition, 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 & Risk Committee.

Individual managers are responsible for ensuring compliance within their departments which includes the identification, evaluation and mitigation of risks within their areas of responsibility. The application and consistency of these policies and procedures are regularly reviewed by the Group's Internal Audit function, and are then overseen and reported to the Audit & Risk Committee, which is ultimately responsible for reporting on the same to the Board.

In its 2012 Annual Report, the Company highlighted example initiatives that had been implemented to enhance internal controls and the risk management environment within the business. In addition and as part of creating the culture of continuous improvement, the new management team has implemented further control and risk management activities during 2013, including:

- The Group launched the initial phase of its new ERP system, which replaced the previous financial system and which is expected to generate performance efficiencies for the Group and also improve governance processes, data integrity and security at corporate and project levels.
- A revised whistleblowing policy was issued and the use of a confidential whistleblowing hotline through an external service provider was made available across the Group.
- Corporate key performance indicators were instigated and duly published across the organisation, and were regularly monitored and updated. This provided improved reporting on certain indicators for the health of the business.
- As part of the risk management processes, the Group has started to implement a six-monthly, top-down risk review system where key risks and opportunities in the business and its operations are identified, aggregated and then presented to the Audit & Risk Committee for review.

The Board (through the Audit & Risk Committee) conducts an annual review of the effectiveness of the systems of internal control including financial, operational and compliance controls and risk management systems. Where significant weaknesses have been identified, additional safeguards have been, and are being, implemented and monitored. Future reviews of the systems' effectiveness will take into account any new controls and processes that are implemented subsequently.

Additional information on the principal risks and uncertainties faced by the Group, together with the mitigating factors, can be found on pages 26 to 29.

Internal audit and assurance

Lamprell has an established internal audit function within the organisation and the Audit & Risk Committee approves the planned activities for internal audit during the subsequent year. Internal audit will, as part of its processes, follow best practices and seek input from auditee members of the management team before making recommendations and/or observations to the Audit & Risk Committee. On a bi-annual basis, internal audit will present the results from its audits to the Committee which will evaluate the results and make such recommendations, as required.

The Directors receive assurances from the results of auditing by internal audit and the control self-assessment that is also undertaken by managers and overseen by internal audit each year. A particular focus during 2013 was the close-out of legacy action items and outstanding observations from previous audit cycles, which has seen a very high success rate because of such focus and cooperation between the internal audit function and the auditees.

Memorandum and Articles of Association

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

Communications with stakeholders

The Board represents the shareholders and is accountable to them for creating and delivering value through the effective governance of the business. Lamprell places considerable importance on developing its relationships with our shareholders and it aims to achieve this by way of the following regular communication activities:

- Press releases regarding Company's business which have been issued throughout 2013
- Regular dialogue with major institutional shareholders, both directly and through the Company's advisers
- Market announcements, corporate presentations and other Company information which are available on our website at www.lamprell.com
- The Annual Report issued to all registered shareholders, either in hard copy or electronically for those that have elected to receive it in that form

After the extraordinary events of 2012, there have been more regular meetings with the investor community, major shareholders and analysts during 2013. This included formal meetings with investors, analysts and media a various points throughout the year and in particular at the time of the full year and interim results. The Board receives regular feedback on the views of shareholders on the Company from its Chairman and the executive management team after meetings with the shareholders, as well as from reports from the Company's corporate brokers. In addition, the Remuneration Committee has consulted key shareholders in relation to remuneration proposals prior to implementation to seek feedback and comment on the same. The Senior Independent Director is also generally available to meet with shareholders at their request.

In addition, the Company considers that its core lending group is another key stakeholder group for the business. The debt facility agreement concluded last year includes *inter alia* management and financial reporting requirements, specific debt covenants and security arrangements, and so the facility terms represent a fundamental part of the Group's governance structure.

Annual General Meetings

Lamprell encourages our shareholders to attend the AGM as an opportunity to raise concerns or points with Directors face-to-face. All Directors were present at the 2013 AGM and engaged in a constructive dialogue with attending shareholders. The Company distributed its notice of AGM only 17 working days prior to the AGM itself, contrary to the provisions of paragraph E.2.4 of the Code, while the Company concluded discussions with the new independent NEDs. The Company intends to comply with this requirement in relation to the 2014 AGM.

All Directors are expected to be present at the 2014 AGM, which is scheduled to be held on 10 June 2014. Questions from shareholders relating to the strategy, performance and progress of the Company are welcomed at the AGM. 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 before the AGM.

The total number of proxy votes lodged at the AGM 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 will be presented as a separate resolution and the Chairmen of the principal Board Committees will be available to answer questions from shareholders.

Communications with employees

One of the key stakeholder groups for the Company is its internal community, that is to say its employee base, and it has been a key focus with the considerable change in the leadership team, both at the end of 2012 and then throughout 2013. The management team, and in particular the new CEO and CFO, distribute their time regularly between the Company's three main facilities in the UAE. In addition, the CEO circulates a "Message from the CEO" with updates on key matters through the internal communication network. On a more personal level, the CEO makes regular presentations to employees at the facilities for long service awards and for recognition of safety achievements and records.

Documents available on Lamprell website

The following are available on the Lamprell website at www.lamprell.com:

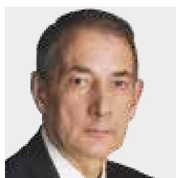
Corporate Governance Section:
- Biographies of the Company's Directors
- Terms of reference of the Audit & Risk Committee
- Terms of reference of the Nomination & Governance Committee
- Terms of reference of the Remuneration Committee
- Policy on independence of external auditors

Investors Section:
- Financial and share price information
- News releases
- Annual and Interim Reports, Interim Management Statements
- The materials relating to previous general meetings
- Copies of presentations to analysts and investors
- Financial calendar, including the dates of the general meeting(s), presentations and results
- Frequently asked questions
- The Articles of Association of the Company
- Contact details for key advisers and analysts

For and on behalf of the Board

Alex Ridout
Group General Counsel and Company Secretary

Directors' Remuneration Report



Michael Press
Chairman of the Remuneration Committee

Annual statement

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2013.

Performance and reward in 2013

As we expected following a disappointing year in 2012, 2013 presented a number of challenges with regard to attracting and remunerating senior executives as we sought to return the Company to profitability and bring stability back to the organisation. James Moffat joined the Group as CEO on 1 March and the terms of his appointment were detailed in last year's report.

After an extensive search process, Joanne Curin was hired as CFO on 1 October to replace Frank Nelson who left the Company to go back to the UK for personal reasons. Ms. Curin was hired from the UK and her remuneration package was structured to deliver a market competitive base salary combined with a significant level of performance-related incentives.

Significant improvements in performance against our targets (in particular, net profit, safety and overhead cost reduction) combined with strong personal performance in their first periods of service resulted in strong bonus payments to our two Executive Directors: 99% of the bonus opportunity for the CEO and 91% for the CFO. In both cases, payments were adjusted pro-rata for service in the year (from 1 March for Mr. Moffat and 1 October for Ms. Curin).

Due to the Company being in a restricted period throughout 2013, the intended LTIP awards have not yet been made. It is intended to grant the 2013 and 2014 LTIP awards as soon as possible in 2014.

Remuneration policy for 2014

Following changes in the membership of the Remuneration Committee (and indeed the Board) during the year, we undertook an extensive review of our remuneration policy. The Committee was particularly mindful of the concerns expressed by shareholders last year which led to a significant vote against the remuneration report at the AGM. We were grateful to shareholders who took the time to provide detailed feedback and sought to act on their concerns wherever possible. Following this exercise, we believe we have addressed the majority of the concerns raised. Inevitably some changes will take longer than others, and there are aspects of our practice in the year where the Committee has been constrained – either contractually or practically – by existing arrangements. Where this has been the case, we have sought to explain in this report how we plan to improve our policy going forward.

Our review of policy sets our approach for 2014 and beyond. The Executive Directors' base salaries of USD 753,000 (for the CEO) and USD 545,000 (for the CFO) remain appropriate and therefore will not be increased for 2014.

- The structure and quantum of the annual bonus continues to be appropriate and aligned to shareholders' interests.
- The long-term incentive grant policy was revised whereby an annual grant of performance shares under the LTIP will vest after three years subject to continued service and performance conditions based on relative total shareholder return ("TSR"), cumulative EBITDA and end of period backlog targets to focus on the Group's core markets and provide strong alignment between senior management and shareholders. The normal maximum award opportunity for the CEO was increased to 120% of base salary and a holding restriction of two years beyond vesting will be phased in during 2014 and 2015 for all Executive Directors.
- Consistent with corporate governance guidelines, share ownership guidelines and clawback provisions were also introduced.

The Committee is satisfied that the new remuneration policy will ensure that we can recruit and retain the right calibre of senior management to maximise shareholder value and deliver strong and sustainable growth.

This report is split into two sections:

- The **Directors' Remuneration Policy Report**, which sets out the forward looking Directors' remuneration policy for the Company which will become effective from the 2014 AGM; and
- The **Annual Report on Remuneration**, which provides details of how the policy for 2014 will be operated and the remuneration earned by Directors in the year ended 31 December 2013.

We will be seeking your support for each part of the report at the forthcoming AGM on 10 June 2014.

On behalf of the Committee I recommend this Remuneration Report to you and I hope that you will find it clear and informative.

Michael Press
Chairman of the Remuneration Committee
25 March 2014

Directors' Remuneration Policy Report

Remuneration Policy Report

This part of the report sets out the remuneration policy for the Company and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the Code and the views of our major shareholders and describes the policy to be applied from 2014 onwards. The policy report will be put to a binding shareholder vote at the 2014 AGM and the policy will take formal effect from 10 June 2014.

Policy overview

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

Our remuneration policy aims to drive continuous improvements in business performance and maximise shareholder value by offering remuneration packages that are appropriately balanced and are designed to enable the recruitment, retention and motivation of talented Executive Directors and senior management.

In setting the remuneration policy for the Executive Directors, the Committee considers the remuneration policy and levels of remuneration for the wider employee population, the policy and practice in the UAE and the wider market. The Committee will ensure that the arrangements are in the best interests of both the Group and its shareholders, by taking into account the following general principles:

- To attract, retain and motivate the best talent, without paying more than is necessary.
- To ensure total remuneration packages are simple and fair in design and valued by participants.
- To ensure that the fixed element of remuneration is determined in line with market rates, taking account of individual performance, responsibilities and experience; and that a significant proportion of the total remuneration package is linked to performance-related incentives.
- To balance performance pay between the achievement of financial performance objectives and delivering sustainable stock market out-performance; creating a clear line of sight between performance and reward and providing a focus on sustained improvements in profitability and returns.
- To calibrate carefully all performance metrics and associated sliding scale ranges to ensure that performance is incrementally rewarded through stretching targets and that executives are not inadvertently incentivised to take inappropriate business risks.
- To maintain the highest possible health and safety standards where any fatality that takes place in a facility operated by the Company or any of its subsidiaries may result in discretionary withdrawal of incentive eligibility.
- To provide a significant proportion of performance linked pay in shares allowing senior management to build significant shareholding in the business and therefore, aligning management with shareholders' interests and the Group's performance.

Consideration of shareholder views

The Company is committed to maintaining good communications with investors. The Committee considers the AGM to be an opportunity to meet and communicate with investors and considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, together with any additional feedback received from time to time, is then considered as part of the Company's annual review of remuneration policy. The Committee will also seek to engage directly with major shareholders and their representative bodies should any material changes be made to the Directors' remuneration policy. The recent decision to amend the LTIP was communicated in advance to major shareholders and representative bodies during the first part of 2014. Details of the votes cast for and against the resolution to approve last year's Directors' Remuneration Report are set out in the Annual Report on Remuneration.

Summary of the Directors' remuneration policy

The following table sets out the key aspects of the Directors' remuneration policy[1].

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Base salary	To attract, retain and motivate talented individuals who are critical to the Group's success	Reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities Base salary levels set by reference to competitive market rates, taking into account level of responsibility, individual performance, skills and experience, Group performance and the pay and conditions in the workforce	There is no prescribed minimum or maximum annual increase. The Committee is guided by market position and the average increase for the workforce generally but on occasions may recognise an increase in certain circumstances such as, assumed additional responsibility, or an increase in the scale or scope of the role	Company performance appraisal process
Annual bonus	To reward the achievement of the Group's annual financial and non-financial objectives linked to the delivery of the Group's strategic plan	Normally payable in cash Performance targets are approved annually by the Committee The Committee has discretion to override the formulaic outturn of the bonus and determine the appropriate level of bonus payable if it believes exceptional circumstances warrant it or, if it is deemed necessary based on safety, environmental, social and governance issues Clawback provisions apply for overpayments due to misstatement or error and other circumstances	Maximum opportunity of 100% of base salary for all Executive Directors	At least two thirds of the annual bonus will be based on Group financial performance or other key business metrics with the remainder dependent on the achievement of individual performance objectives to provide a rounded assessment of the Group and management's performance The financial metrics incorporate an appropriate sliding scale around a challenging target

1 A description of how the Company intends to implement the above policy is set out in the Annual Report on Remuneration at pages 56 to 61.

Directors’ Remuneration Policy Report continued

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Long-Term Incentive Plan/LTIP	To balance performance pay between the achievement of strong financial performance and delivering sustainable stock market out-performance To encourage share ownership and alignment with shareholder interests	Annual awards of conditional shares or nil (or nominal cost) options (or possibly cash) with vesting dependent on the achievement of performance conditions over a three year period. An additional mandatory holding period of two years will be phased in during 2014 and 2015 for vested awards (net of tax) Performance targets and metrics are approved annually by the Committee The Committee has discretion to scale back (potentially to zero) the vesting of any awards if it believes the results are not an accurate reflection of the Company’s underlying performance Clawback provisions apply for overpayments due to misstatement or error and other circumstances Dividends that accrue during the vesting period may be paid in cash or shares at the time of vesting, to the extent that shares vest	Normal maximum opportunity of 120% of base salary for the CEO and 100% of base salary for other Executive Directors[1] Exceptional maximum opportunity of 150% of base salary[1]	Performance is assessed against a challenging set of independent financial metrics that may include relative TSR, cumulative EBITDA, end of period backlog and other equally challenging metrics On each element, starting with the 2014 plan, between 0 and 20% of an award will vest for achieving threshold performance, increasing and vesting pro rata at a further target with full vesting for achievement of maximum stretch performance targets
End of service gratuity	To offer executives a retirement benefit as required under the UAE Labour Law	The Company has no Group wide pension scheme A lump sum cash payment is awarded following end of service, based on the length of service and final base salary in accordance with UAE Labour Law	Company contributions are limited to two years’ base salary by UAE Labour Law	None
Benefits and Allowances	To offer a market-competitive level of benefits to ensure the Executive Directors’ well-being and provide additional allowances in line with local market practice	Current benefits include a housing allowance, private medical/life insurance, use of a company car and driver, fuel card, annual leave air fares and utility expenses	Actual value of benefits provided	None

1 Annual limits of the LTIP relate to awards in respect of the financial year and shall not prevent the Committee granting awards that relate to more than one financial year.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Share ownership guidelines	To further strengthen the long-term alignment between executives and shareholders	Executive Directors are required to retain the net proceeds of vested share awards which vest under the Group's discretionary share plans	Expected to achieve 150% of base salary for the CEO and 125% of base salary for the other Executive Directors within five years	None
NEDs' fees	Set to attract, retain and motivate talented individuals through the provision of market competitive fees	Reviewed periodically by the Executive Directors and Chairman (except for his own fee) or, if appropriate, in the event of a change in an individual's position or responsibilities Fee levels set by reference to market rates, taking into account the individual's experience, responsibility, time and travel commitments	As for the Executive Directors there is no prescribed minimum or maximum annual increase. The Executive Directors and Chairman are guided by market position but on occasions may recognise an increase in certain circumstances such as, assumed additional responsibility or an increase in the scale or scope of the role	None

Performance metric selection

The annual bonus is predominantly based on key financial performance indicators, to reflect how successful the Group has been in managing its operations. The balance is determined on performance against individually determined strategic objectives and annual operational targets, including HSE.

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

Discretion

The Committee will operate the incentive plans in accordance with their respective rules, the UK Listing Rules and the HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plan rules. These include (but are not limited to) the following:

- Who participates;
- The timing of the grant of award and/or payment;
- The size of an award (up to plan/policy limits) and/or a payment;
- The result indicated by the relative TSR performance condition may be scaled back (potentially to zero) in the event that the Committee considers that financial performance has been unsatisfactory and/or the outcome has been distorted due to the TSR for the Company or any comparator company being considered abnormal;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes and the treatment of leavers;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

For the avoidance of doubt, in approving this Directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (including, the vesting or exercise of past share awards and the granting of awards promised to be made and disclosed to shareholders' prior to the effective date of this policy).

Directors' Remuneration Policy Report continued

Relative to pay and employment conditions in the Group

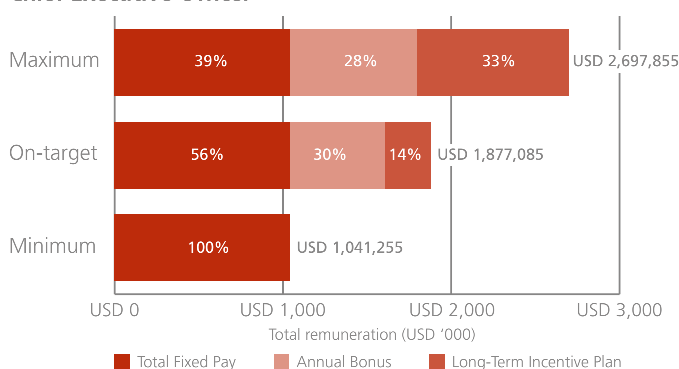
The Committee takes account of remuneration levels offered to the senior management team in the Group as well as the awards affecting the wider employee population. When considering the Executive Directors' remuneration structure and levels, the Committee reviews base salary and incentive arrangements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

While the Company sees communication among its employees as a key priority it does not formally consult with employees in respect of the design of the Executive Director remuneration policy, although the Committee will keep this under review.

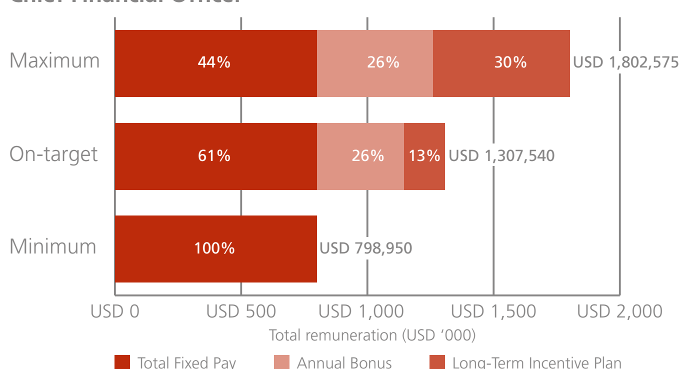
Remuneration scenarios for the Executive Directors

The charts below show an estimate of the potential range of remuneration payable for the Executive Directors in 2014 at different levels of performance. The charts highlight that the performance-related elements of the package comprise a significant portion of the Executive Director's total remuneration at maximum performance.

Chief Executive Officer



Chief Financial Officer



Assumptions:

1 Base salary levels applying on 1 January 2014.
2 Benefits are estimated, based on the annualised value for the year ended 31 December 2013.
3 The end of service gratuity is estimated, based on the accrual for the year ended 31 December 2013.
4 Minimum performance assumes no award is earned under the annual bonus plan and no vesting is achieved under the LTIP; at on-target, 75% of the maximum is earned under annual bonus plan and 30% vesting is achieved under the LTIP; and at maximum full vesting under both plans.
5 As per the legislation, share price movement and dividend accrual have been excluded from the above analysis.

Directors' recruitment and promotions

The Committee takes into account the need to attract, retain and motivate Executive Directors and senior managers of the highest calibre, while at the same time ensuring a close alignment between the interests of shareholders and management.

If a new Executive Director were appointed, the Committee would seek to align the remuneration package with the remuneration policy approved by shareholders, including discretion to award an annual bonus up to 100% of base salary and, in exceptional circumstances, an LTIP award up to 150% of base salary. Flexibility would be retained to set base salaries at the level necessary to facilitate the hiring of candidates of appropriate calibre in external markets and to make awards or payments in respect of deferred remuneration forfeited on leaving a previous employer. In terms of remuneration to compensate forfeited awards, the Committee would look to replicate the arrangements being forfeited as closely as possible and in doing so, would take account of relevant factors including the nature of the remuneration, performance conditions and the time over which they would have vested or been paid.

In exceptional circumstances and only on recruitment (e.g. to buyout the value of awards forfeited) the Committee may also award share options of up to 150% of base salary under the ESOP. Options will vest dependent on the achievement of agreed performance and/or retention conditions over a three year period and will be exercisable up to the 10th anniversary of the date of grant. Dividends that accrue during the vesting period may be paid in cash or shares at the time of vesting, to the extent that the options become exercisable.

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

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

For the appointment of a new Chairman or NED, the fee arrangement would be set in accordance with the approved remuneration policy at that time.

Directors' service agreements and payments for loss of office

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

The Group's policy is that Executive Directors should be employed on a rolling term, with a notice period not exceeding 12 months and in the event of early termination, the Company will not make any payments beyond its contractual obligations.

The Executive Directors' service agreements are terminable on 12 months' notice. In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard to the particular circumstances of the case. The Committee has discretion to require notice to be worked or to make payment in lieu of notice or to place the Director on garden leave for the notice period. In case of payment in lieu or garden leave, base salary, benefits and end of service gratuity will be paid for the period of notice served on garden leave or paid in lieu. If the Committee believes it would be in shareholders' interests the Company may elect to make payments in three separate tranches; 50% within seven working days of the termination date; 25% three months after the termination date; and 25% six months after the termination date.

The annual bonus may be payable in respect of the period of the bonus plan year worked by the Director; there is no provision for an amount in lieu of bonus to be payable for any part of the notice period not worked. The bonus will be scaled back pro-rata for the period of the incentive year worked by the Director and will still be payable at the normal payment date.

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

In respect of legacy options outstanding under the ESOP, the options will be determined by the plan rules which contain discretionary good leaver provisions for designated reasons (i.e. participants who leave early on account of injury, disability or ill-health, a sale of their employer or business in which they were employed or any other reason at the discretion of the Board). In these circumstances a participant's options will not be forfeited on cessation of employment but will vest on the termination date instead. The extent to which the options become exercisable depends, unless the Board determines otherwise, on the extent to which the performance conditions have been satisfied up until the termination date or such longer period as the Board may decide within six weeks of the grant date. The performance period will end on the termination date unless the Board determines otherwise. In the case of death of a participant, the option will become exercisable at that time, irrespective of whether or not any performance conditions have been satisfied, and the option will not be time pro rated.

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

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

Director	Date of contract
James Moffat	25 November 2012
Joanne Curin	26 August 2013

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

Non-Executive Directors' terms of engagement

The NEDs do not have service contracts and instead are appointed by letters of appointment for an initial term of three years, which are terminable by three months' notice on either side. At the end of the initial period the appointment may be renewed by mutual consent for an additional three-year term, subject to re-election at the AGM.

Upon termination or resignation, NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment.

Currently, three NEDs (excluding the Chairman who was independent on appointment) are considered to be independent of the Company.

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

Non-Executive Director	Date of appointment
John Kennedy	15 June 2012
Peter Whitbread	1 July 2013
Michael Press[1]	27 May 2013
John Malcolm[1]	27 May 2013
Ellis Armstrong[1]	27 May 2013

1 Michael Press, John Malcolm and Ellis Armstrong are considered to be independent NEDs of the Company.

Directors' Annual Report on Remuneration

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the UK's Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 58 to 59 has been audited.

Responsibilities of the Committee

The Committee is responsible for determining and agreeing with the Board the policy on Executive Directors' remuneration, including setting the over-arching principles, parameters and governance framework and determining the initial remuneration package of each Executive Director. In addition, the Committee monitors the structure and level of remuneration for the senior management team and is aware of pay and conditions in the workforce generally. The Committee also ensures full compliance with the Code in relation to remuneration. The Committee's terms of reference are available for review on the Company's website.

Members and activities of the Committee

The members of the Committee during the financial year were, from 27 May 2013, Michael Press (Chair) and John Malcolm and, prior to 27 May 2013, Colin Goodall (Chair), Deena Mattar and John Kennedy. All members were NEDs. None of the current Committee members have day-to-day involvement with the business nor do they have any personal financial interest in the matters to be recommended. The Company Secretary acts as Secretary to the Committee and the Vice-President, Human Resources and Administration attends meetings on a regular basis to provide related support. The number of formal meetings held and the attendance by each member is shown in the table below. The Committee also held informal discussions as required.

	Number of meetings attended out of a potential maximum
Michael Press	7 out of 7
John Malcolm	7 out of 7
Colin Goodall	2 out of 2
Deena Mattar	2 out of 2
John Kennedy	2 out of 2

External advice received

During the year, the Committee received independent advice on remuneration matters from Mercer until 30 September 2013 and from New Bridge Street ("NBS"), a trading name of Aon plc, from 1 October 2013. Neither Mercer nor NBS provided other services to the Group during the year under review. The Committee also consulted with the CEO but not in relation to his own remuneration.

Mercer and NBS are signatories to the Remuneration Consultants' Code of Conduct and adhere to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice it receives is objective and independent.

The fees paid to Mercer during the year were £22,867 and the fees paid to NBS during the year were £38,900.

Shareholder voting at AGM

At last year's AGM held on 27 May 2013, the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	139,286,278	75.3%
Against	45,674,416	24.7%
Total votes cast (for and against)	184,960,694	100%
Votes withheld[1]	3,295,764	–
Total votes cast (including withheld votes)	188,256,458	–

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

2 During 2013, the Committee conducted a review of the Company's remuneration policy, which took into account feedback from the 2013 AGM. A new policy was developed, which sought to address these concerns and this was shared informally with major shareholders and governance bodies in late 2013. The majority of those consulted indicated their support, although a few did not respond. One governance group reverted with several suggestions for further revisions and the Committee incorporated most of these suggestions into the final Policy which is set out in the above Policy Report.

Implementation of the remuneration policy for 2014

Base salary

In setting the base salaries for 2014, the Committee considered external market data, the increase in base salary for the senior management team and the workforce generally, where the average increases across the Group will be 4%. This increase will not apply to the CEO and CFO and accordingly the base salaries for 2014 will be as follows:

	Base salary from 1 January 2014	Base salary from 1 January 2013 or start date if later	% increase
James Moffat[1]	USD 753,000	USD 753,000	0%
Joanne Curin[2]	USD 545,000	USD 545,000	0%

1 James Moffat was appointed CEO on 1 March 2013.

2 Joanne Curin was appointed CFO on 1 October 2013.

Annual bonus for 2014

For 2014 the annual bonus opportunity will be 100% of base salary for the CEO and 85% of base salary for the CFO. 50% of the bonus will be based on net profit, 25% will be based on sales set in relation to the Group's budget and the remaining 25% will be based on non-financial, strategic and/or personal targets, including safety performance and overhead cost reduction. This structure is intended to provide a rounded assessment of the Group and management's performance.

The sales targets will be within a range from USD 960 million to USD 1.3 billion with associated pay-outs within the range of 20-100% of target. The Committee considers any disclosure of future net profits to be commercially sensitive, however, full retrospective disclosure of targets and performance against them will be disclosed in next year's Annual Report on Remuneration.

Clawback provisions will apply.

Long-term incentives to be granted in 2014

Due to the prolonged close period throughout 2013, it was not possible to make any LTIP awards to the Directors. Subject to compliance with the Listing Rules, awards will therefore be made in 2014 under both the 2013 and the 2014 plans. The maximum LTIP potential will be 120% of base salary for the CEO and 100% of base salary for the CFO. For the 2013 plan, following a review of the plan metrics by the previous Committee, awards will vest based on performance against three years' cumulative EBITDA at 31 December 2015.

For the LTIP award to be granted in 2014, after further review of the plan metrics by the present Committee, 50% of the award will be

based on relative TSR (relative to the FTSE World Oil Equipment and Services Index), 25% on cumulative EBITDA and 25% on end of period backlog.

Relative TSR, cumulative EBITDA and end of period backlog are considered to be the most appropriate measures of long-term performance for the Group, in that they ensure the Executive Directors are incentivised and rewarded for the financial performance of the Group as well as returning value to shareholders.

LTIP 2013

	Threshold		Maximum		
Performance condition	% vesting	Performance	% vesting	Performance	End measurement point
Cumulative EBITDA	80	90% of target	100	100% of target	31 December 2015

LTIP 2014

	Threshold		Maximum		
Performance condition	% vesting	Performance	% vesting	Performance	End measurement point
TSR vs. FTSE World Oil Equipment & Services Index	0	Median	100	Upper quintile	31 December 2016
Cumulative EBITDA	20	USD 240 million	100	USD 360 milion	31 December 2016
End of period backlog	20	USD 1.0 billion	100	USD 1.4 billion	31 December 2016

The awards will be subject to clawback provisions.

A mandatory holding restriction of two years beyond vesting will be phased in during 2014 and 2015.

End of service gratuity

As required under the UAE Labour Law, the Company contributes to the end of service gratuity fund on behalf of the Executive Directors, whereby the gratuity shall be 21 days' base salary for each year of the first five years of employment and 30 days' base salary for each additional year of employment thereafter, on the condition that the total gratuity does not exceed two years' base salary, payable upon termination of employment.

Historical recruitment awards for Interim Executives

As reported last year, the Company agreed to grant each of Peter Whitbread and Frank Nelson an option over shares to the value of GBP 400,000 and GBP 195,000 respectively (the "Intended Options"). These grants were agreed to be made at an exercise price of 76.25 pence (in respect of Mr. Whitbread) and 80.50 pence (in respect of Mr. Nelson).

The Company was unable to grant the Intended Options due to a prolonged restricted period. In light of this, the Company negotiated a settlement on 15 May 2013 in which the interim executives surrendered their stock options in exchange for a cash payment based upon the movement in share price between the date they became Directors and 15 April 2013. Mr. Nelson was paid £155,000 and Mr. Whitbread was paid £360,000.

In addition, Peter Whitbread's service contract included a Retention Incentive equivalent to 25% of the base salary earned during the period from 5 October 2012 to 31 March 2013 in lieu of Mr. Whitbread's participation in any other short-term or long-term incentive plans and to recognise the criticality of retaining him as interim CEO during a particularly turbulent period for the Company. Mr. Whitbread was paid USD 157,000 in April 2013.
Mr. Nelson's service contract also included a Retention Incentive equivalent to 50% of his annual base salary in lieu of Mr. Nelson's participation in any other short-term or long-term incentive plan and to recognise the importance of retaining the interim CFO during a critical period for the Company following the disappointing results in 2012 and the ensuing priorities with regards the Company's banking and credit facilities and business recovery. Mr. Nelson was paid GBP 162,945 in two instalments in June and October 2013.

Recruitment award for incoming CEO, James Moffat

As reported last year, under the terms of his employment offer, the Company agreed to grant Mr Moffat an option over shares with a value of USD 753,000 at an exercise price equal to the share price on 1 March 2013 (the date on which the grant was originally intended to be made). The option was to be granted as soon as the Company was no longer within a restricted period. Furthermore, the Committee had agreed that, if the Company were unable to grant the award by 21 March 2014 (known as the "Long Stop Date"), it would pay Mr Moffat a cash sum in lieu of the award, equal to the amount by which the options award would have gained in value between 1 March 2013 and the Long Stop Date.

In reviewing this arrangement prior to the Long Stop Date, the Committee considered that it would be in the Company's best interests if the award (which has a three-year vesting term) were to remain in place rather than being cashed out; this would increase both retention and alignment. However, we were also mindful of feedback from investors who would have preferred the options to have been subject to performance conditions. Accordingly, the Committee determined, with the agreement of the CEO, that the promise to grant this award of options would stand but that the grant (when made) would be subject to a performance condition based on the Company's relative total shareholder return relative to the FTSE World Oil Equipment & Services Index. The performance condition will be tested over the 36-month period up to 1 March 2016 and the level of vesting will be calculated on the same basis as we have adopted for the 2014 LTIP which is detailed above.

Chairman's remuneration

In recognition of the exceptional circumstances, whereby all three of the former Executive Directors had to be replaced and the existing NEDs (excluding the Chairman) each stood down during a period in which the Company was restructuring its financing and recovering from poor trading results in 2012, the Committee agreed that some form of additional compensation was appropriate to recognise the increased commitments required by the Chairman during 2012 and throughout 2013 and in recognition of the need to re-establish longer-term stability within the Company.

It was therefore agreed that an award of restricted stock would be made to the value of the Chairman's annual fee (GBP 180,000), without performance conditions, to preserve the independent nature of the Chairman's position, but subject to a vesting period of three years from date of grant under the terms of the Company's RSP.

In view of the prolonged close period this award has not yet been made.

Outside appointments

The Board allows Executive Directors to accept appropriate outside commercial NED appointments provided the aggregate commitment is compatible with their duties and does not cause a conflict of interest as Executive Directors. Such Executive Directors may retain fees paid for these services, which will be subject to approval by the Board. During the year Joanne Curin served as a NED on the Boards of W.S. Atkins plc and Deep Ocean Group Holding BV. Frank Nelson served as a NED on the Board of Thames Valley Housing Association.

Fees for the Chairman and Non-Executive Directors

The Chairman's remuneration is determined by the Committee and the NEDs' remuneration is determined by the Executive Directors and the Chairman, all of which is based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual NEDs do not take part in discussions regarding their own fees. The Chairman and NEDs receive no other benefits. A summary of the current fees are as follows:

	Fee at 1 January 2014 GBP 000	Fee at 1 January 2013 GBP 000	% increase[1]
Non-Executive Chairman	180	180	0
Deputy Chairman	88	88	0
Senior Independent Director	80	80	0
Base fee	65	65	0
Committee Chair fee	8	8	0

1 Subject to review on 1 July 2014.

Directors' remuneration earned in 2013

The table below summarises Directors' remuneration received in 2013 with comparisons, where appropriate, to 2012.[1]

		Base salary and fees USD'000	Benefits and Allowances[2] USD'000	End of Service Gratuity[3] USD'000	Annual Bonus[4] USD'000	Long-Term Incentives USD'000	Other US'000	Total Remuneration USD'000
Executive Directors								
James Moffat[5]	2013	628	156	40	620	–	208[6]	1,652
	2012	–	–	–	–	–	–	–
Joanne Curin[7]	2013	136	43	28	105	–	–	312
	2012	–	–	–	–	–	–	–
Peter Whitbread[8,11]	2013	655	125	–	–	–	724[9]	1,504
	2012	310	42	–	–	–	–	352
Frank Nelson[10]	2013	417	305	32	–	–	507[9]	1,261
	2012	86	74	–	–	–	–	160
Non-Executive Directors								
John Kennedy	2013	290	–	–	–	–	–	290
	2012	145	–	–	–	–	–	145
Jonathan Silver[11]	2013	58	–	–	–	–	–	58
	2012	264	–	–	–	–	–	264
Colin Goodall[11]	2013	58	–	–	–	–	–	58
	2012	137	–	–	–	–	–	137
Deena Mattar[11,12]	2013	88	–	–	–	–	–	88
	2012	58	–	–	–	–	–	58
Michael Press[11]	2013	82	–	–	–	–	–	82
	2012	–	–	–	–	–	–	–
John Malcolm[11]	2013	70	–	–	–	–	–	70
	2012	–	–	–	–	–	–	–
Ellis Armstrong[11]	2012	68	–	–	–	–	–	68
	2012	–	–	–	–	–	–	–
Peter Whitbread[11]	2013	52	–	–	–	–	–	52
	2012	–	–	–	–	–	–	–

1 All Directors' pay is reported above in USD. James Moffat's remuneration is determined and paid in USD; Joanne Curin's remuneration is determined in GBP and paid in AED; Michael Press and Ellis Armstrong's remuneration is determined in GBP and paid in USD and the remuneration of John Kennedy, Peter Whitbread (as a NED) and John Malcolm is determined and paid in GBP.

2 Benefits and allowances include housing, private medical insurance, life insurance, club membership, the use of a company car and driver, private fuel card, airfare tickets and utility expenses.

3 End of service gratuity is the provision accrued during the year. In accordance with the provisions of IAS 19, the present value of directors' end of service gratuity obligations under UAE Labour Law have been valued using the projected unit credit method, as at 31 December 2013 and 2012. Under this method an assessment has been made of a director's expected service with the Group and the expected base salary on the date of termination. As part of the valuation we have assumed an average base salary increment of 3% p.a. (2012: 2.5%). The expected liability on the date of termination has been discounted to its net present value using a discount rate of 4.25% p.a. (2012: 3% p.a.).

4 The annual bonus for 2013 was based on performance against financial and non-financial performance targets. Performance against these targets is set out in the tables below. No bonus payments were made to Executive Directors in respect of 2012.

5 James Moffat was appointed CEO on 1 March 2013.

6 James Moffat's service agreement included a sign on bonus of USD 208,000 as compensation for forfeiture of long-term and short-term incentive payments from his former employer.

7 Joanne Curin was appointed CFO on 1 October 2013.

8 Peter Whitbread's employment ceased on 30 June 2013.

9 Details of the payments to Peter Whitbread and Frank Nelson are included in the paragraph above headed "Historical recruitment awards for Interim Executives".

10 Frank Nelson's remuneration includes a fee of GBP 10,000 for the months of November and December paid under a consulting agreement after the cessation of his employment, as reported below.

11 Jonathan Silver, Colin Goodall and Deena Mattar stood down as NEDs on 27 May 2013. Michael Press, Ellis Armstrong and John Malcolm were appointed NEDs on 27 May 2013; Peter Whitbread was remunerated as a NED with effect from 1 July 2013.

12 Deena Mattar was paid an additional fee of USD 38,000 in January 2013, as agreed by the Executive Directors and Chairman, in recognition of the temporary increase in workload and commitments during the period July to December 2012.

Annual bonus 2103: performance against targets

Metric	Weighting as % of maximum annual opportunity	Actual performance	Pay-out outcome as % of maximum annual opportunity
CEO			
Net Profit[1]	67%	100%	67%
Safety	11%	90%	10%
Overhead cost reduction	11%	100%	11%
Senior management succession planning	11%	100%	11%
Total	100%		99%
CFO			
Net Profit	67%	100%	67%
Debtor reduction	8.25%	0%	0%
Financial structuring/strategy	16.5%	100%	16.5%
Safety	8.25%	90%	7.5%
Total	100%		91%

1 Net profit targets were in the range of USD 10 million (threshold) to USD 30 million (stretch). Stretch target was exceeded.

Long-term incentive awards granted during the year

Due to the Company remaining in a restricted period throughout 2013, no awards were made to Executive Directors under the LTIP. As reported above, the Company intends to grant the 2013 and 2014 LTIP awards as soon as possible in 2014.

Directors' interests in share plan awards

None of the Executive Directors currently holds any interest in long-term incentive awards under the LTIP as at 31 December 2013 as the Company remained in a closed period throughout 2013.

Directors' interests in ordinary shares

The Committee has adopted a formal policy requiring the Executive Directors to build and maintain a shareholding in the Company equivalent to 150% of base salary for the CEO and 125% of base salary for the CFO within five years. Until such time as this threshold is achieved there is a requirement for executives to retain the net proceeds of all vested share awards. Mr. Moffat and Ms. Curin, who were appointed to the Board in March and October respectively, have not currently achieved these guidelines.

The beneficial interests of the Directors in the share capital of the Company as at 31 December 2013, was as follows:

	Beneficially owned at 31 December 2013	Beneficially owned at 31 December 2012	Outstanding share awards	Shareholding as a % of base salary	Shareholding requirement met?
Executive Directors					
James Moffat	–	–	–	–	–
Joanne Curin	–	–	–	–	–
Peter Whitbread	1,667,272	1,667,272	–	–	–
Frank Nelson	–	–	–	–	–
Non-Executive Directors					
John Kennedy	–	–	–	–	–
Colin Goodall	–	51,955	–	–	–
Deena Mattar	–	–	–	–	–
Jonathan Silver	16,464	16,474	–	–	–
Michael Press	–	–	–	–	–
John Malcolm	–	–	–	–	–
Ellis Armstrong	–	–	–	–	–

Note 1 There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2014 to 25 March 2014.

Note 2 Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours.

Payments to former Directors

Frank Nelson was contracted under a part-time short-term Consulting Agreement to provide transitional services following his departure on 31 October 2013. For this he was paid a total of £15,000 for the period from 1 November 2013 to 31 January 2014.

Payments for loss of office

Peter Whitbread's employment ceased on 30 June 2013. No payments were made to Mr Whitbread in respect of loss of office, outside of those included in the paragraph above headed "Historical recruitment awards for Interim Executives".

As reported in 2012, the service contracts of Nigel McCue, Christopher Hand and Jonathan Cooper were terminated by the Company on 3 October 2012. Under their service contracts, each Director was entitled to full salary and benefits for a notice period of 12 months. However, in each case, a compromise agreement was reached under which, in settlement of all claims, the Company made a payment to each of the Directors equal to six months of the 12 months' notice period. No compensation was paid for the period from 3 April to 3 October 2013. No annual bonus was payable for 2012. All unvested share-based incentives held by the Directors lapsed on termination of employment.

Percentage change in remuneration levels

The table below shows the movement in base salary, benefits and annual bonus for the CEO between the 2013 and 2012 financial years, compared to that for the average employee of the Group:

	% change
Chief Executive Officer[1]	
Base salary	–10.5
Benefits	0
Bonus	0
All employees	
Base salary	+1
Benefits	+1
Bonus	0

1 James Moffat commenced employment on 1 March 2013; Nigel McCue's contract was terminated on 3 October 2012. All figures relating to CEO remuneration in 2013 are full year equivalents.

Relative importance of the spend on pay

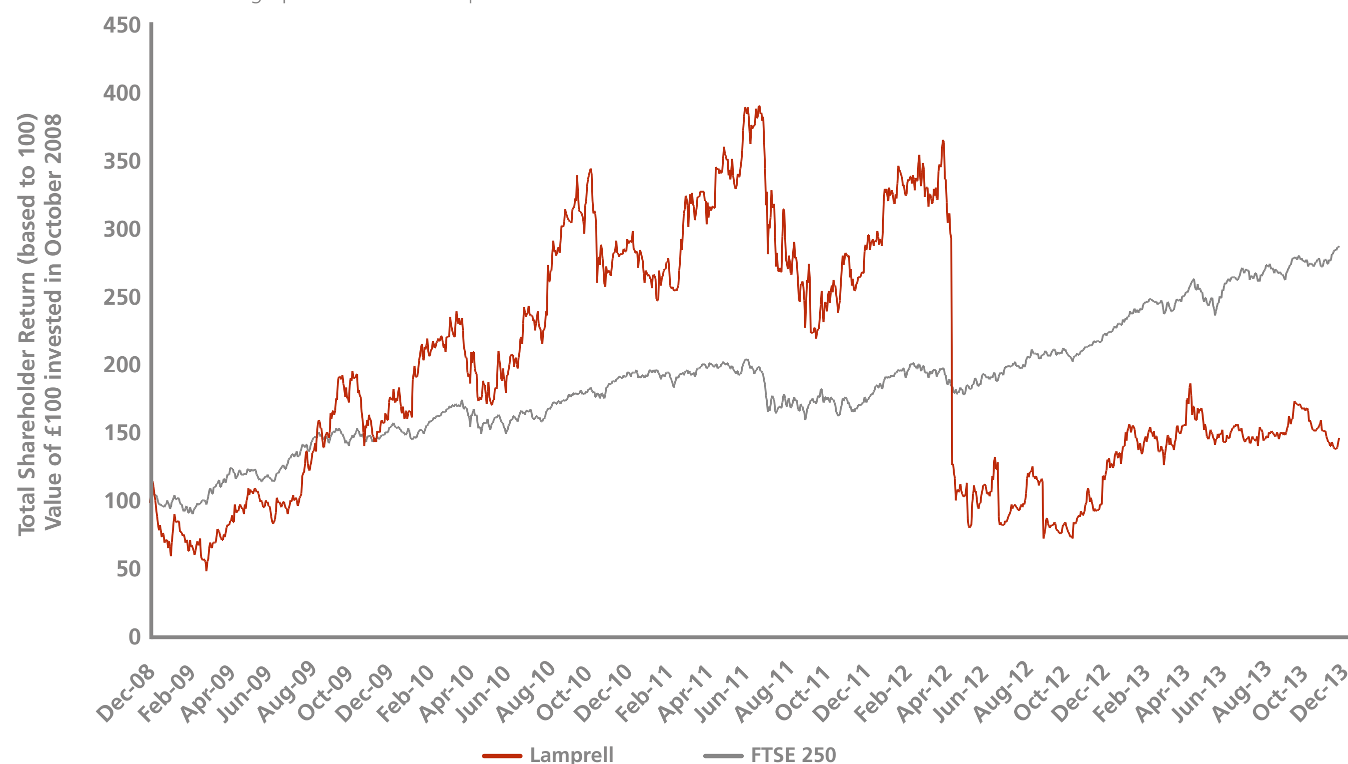
The table below shows the spend on staff costs in the financial year, compared to dividends:

	2013 GBP'000	2012 GBP'000	% change
Staff costs	**130,476**	126,741[1]	2.94
Dividends	**–**	–	0.00

1 2012 figure restated for comparison purposes to reflect sale of International Inspection Services.

Performance graph and CEO pay

The graph below shows the growth in value of a notional GBP 100 invested in the Company over the last five financial years compared to the FTSE 250 Index. The graph covers the time period from 31 December 2008 to 31 December 2013.



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

	Year ending 31 December (USD'000)							
	2013	**2013**	2012	2012	2011	2010	2009	2009
CEO	**James Moffat**[1]	**Peter Whitbread**[2]	Peter Whitbread[2]	Nigel McCue[3]	Nigel McCue	Nigel McCue	Nigel McCue[4]	Peter Whitbread[5]
Total Remuneration	**1,652**	**1,504**	352	2,739	2,094	1,824	514	1,211
Annual bonus	**99%**	**0%**	0%	0%	72.3%	100%	0%	0%
LTIP vesting	**0%**	**0%**	0%	100%	100%	0%	0%	0%

1 James Moffat was appointed CEO on 1 March 2013.
2 Peter Whitbread was appointed interim CEO on 4 October 2012 and his employment ceased on 30 June 2013.
3 Nigel McCue's employment ceased on 3 October 2012.
4 Nigel McCue was appointed to the position of the Chief Executive Officer on 27 March 2009 with effect from 1 May 2009.
5 Peter Whitbread resigned as the Chief Executive Officer on 27 March 2009 and was appointed to the position of the Director of International Development with effect from 1 May 2009.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report, including both the Directors' remuneration policy and the Annual Report on Remuneration, was approved by the Board on 25 March 2014.

Michael Press
Chair of the Remuneration Committee
25 March 2014

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 2013 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 judgement, 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 2013, 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 2013 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 in relation to going concern; and
- 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.

Nicholas Mark Halsall, Responsible Individual
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
25 March 2014

Consolidated income statement

	Note	Year ended 31 December 2013 Pre-exceptional items USD'000	Exceptional items USD'000	USD'000	Year ended 31 December 2012 Pre-exceptional items USD'000 (restated)*	Exceptional items USD'000	USD'000 (restated)[1]
Continuing operations							
Revenue	5	**1,091,771**	**–**	**1,091,771**	1,025,946	–	1,025,946
Cost of sales	6	**(976,517)**	**–**	**(976,517)**	(1,053,611)	–	(1,053,611)
Gross profit/(loss)		**115,254**	**–**	**115,254**	(27,665)	–	(27,665)
Selling and distribution expenses	7	**(1,591)**	**–**	**(1,591)**	(1,489)	–	(1,489)
General and administrative expenses	9	**(62,288)**	**–**	**(62,288)**	(66,640)	(4,720)	(71,360)
Other gains/(losses) – net	12	**1,536**	**–**	**1,536**	5,602	–	5,602
Operating profit/(loss)		**52,911**	**–**	**52,911**	(90,192)	(4,720)	(94,912)
Finance costs	11	**(14,755)**	**(8,414)**	**(23,169)**	(22,397)	–	(22,397)
Finance income	11	**975**	**–**	**975**	867	–	867
Finance costs – net		**(13,780)**	**(8,414)**	**(22,194)**	(21,530)	–	(21,530)
Share of profit of investments accounted for using the equity method	19	**1,110**	**–**	**1,110**	1,053	–	1,053
Profit/(loss) before income tax		**40,241**	**(8,414)**	**31,827**	(110,669)	(4,720)	(115,389)
Income tax expense		**(1,091)**	**–**	**(1,091)**	(791)	–	(791)
Profit/(loss) for the year from continuing operations		**39,150**	**(8,414)**	**30,736**	(111,460)	(4,720)	(116,180)
Discontinued operations							
Profit for the year from discontinued operations	23	**5,707**	**–**	**5,707**	5,003	–	5,003
Profit/(loss) for the year attributable to the equity holders of the Company		**44,857**	**(8,414)**	**36,443**	(106,457)	(4,720)	(111,177)
Earnings/(loss) per share attributable to the equity holders of the Company	13						
Basic				**14.00c**			(42.72)c
Diluted				**13.99c**			(42.72)c

1 Refer to Note 2.12 (a) for details of the restatement.

The notes on pages 71 to 105 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2013 USD'000	 2012 USD'000 (restated)
Profit/(loss) for the year		**36,443**	(111,177)
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations		**(737)**	703
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(66)**	334
Cash flow hedges:			
Profit arising on hedges recognised in other comprehensive income		**–**	1,086
Amount reclassified from other comprehensive income		**–**	94
Other comprehensive (loss)/income for the year		**(803)**	2,217
Total comprehensive income/(loss) for the year		**35,640**	(108,960)
Total comprehensive income/(loss) for the year attributable to the equity holders of the Company arises from:			
Continuing operations		**30,193**	(113,914)
Discontinued operations	23	**5,447**	4,954

The notes on pages 71 to 105 form an integral part of these financial statements.

Consolidated balance sheet

	Note	As at 31 December 2013 USD'000	2012 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**148,323**	165,849
Intangible assets	17	**213,026**	219,827
Investments accounted for using the equity method	19	**5,615**	4,679
Total non-current assets		**366,964**	390,355
Current assets			
Inventories	20	**11,685**	13,225
Trade and other receivables	21	**327,318**	398,349
Derivative financial instruments	28	**161**	1,152
Cash and bank balances	22	**344,573**	263,439
		683,737	676,165
Assets of disposal group classified as held for sale	23	**23,843**	–
Total current assets		**707,580**	676,165
Total assets		**1,074,544**	1,066,520
LIABILITIES			
Current liabilities			
Borrowings	31	**(56,493)**	(159,323)
Trade and other payables	29	**(424,702)**	(462,891)
Provision for warranty costs	30	**(5,400)**	–
Current tax liability		**(57)**	(144)
		(486,652)	(622,358)
Liabilities of disposal group classified as held for sale	23	**(4,832)**	–
Total current liabilities		**(491,484)**	(622,358)
Net current assets		**216,096**	53,807
Non-current liabilities			
Borrowings	31	**(104,258)**	–
Provision for employees' end of service benefits	27	**(36,046)**	(38,095)
Total non-current liabilities		**(140,304)**	(38,095)
Total liabilities		**(631,788)**	(660,453)
Net assets		**442,756**	406,067
EQUITY			
Share capital	25	**23,552**	23,552
Share premium	25	**211,776**	211,776
Other reserves	26	**(22,133)**	(22,069)
Retained earnings		**229,561**	192,808
Total equity attributable to the equity holders of the Company		**442,756**	406,067

The financial statements on pages 63 to 105 were approved and authorised for issue by the Board of Directors on 25 March 2014 and signed on its behalf by:

James Moffat
Chief Executive Officer and Director

Joanne Curin
Chief Financial Officer and Director

The notes on pages 71 to 105 form an integral part of these financial statements.

Company balance sheet

	Note	As at 31 December 2013 USD'000	2012 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	18	**592,781**	591,732
Current assets			
Other receivables		**369**	50
Due from related parties	24	**7,631**	5,138
Cash at bank	22	**103**	200
Total current assets		**8,103**	5,388
Total assets		**600,884**	597,120
LIABILITIES			
Current liabilities			
Accruals		**(29)**	(628)
Due to related parties	24	**(12,334)**	(8,367)
Total current liabilities		**(12,363)**	(8,995)
Net current liabilities		**(4,260)**	(3,607)
Non-current liabilities			
Provision for employees' end of service benefits	27	**(75)**	(918)
Total liabilities		**(12,438)**	(9,913)
Net assets		**588,446**	587,207
EQUITY			
Share capital	25	**23,552**	23,552
Share premium	25	**211,776**	211,776
Other reserve	26	**329,153**	329,153
Retained earnings		**23,965**	22,726
Total equity attributable to the equity holders of the Company		**588,446**	587,207

The financial statements on pages 63 to 105 were approved and authorised for issue by the Board of Directors on 25 March 2014 and signed on its behalf by:

James Moffat
Chief Executive Officer and Director

Joanne Curin
Chief Financial Officer and Director

The notes on pages 71 to 105 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Note	Share capital USD'000	Share premium USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2012		23,552	211,776	(23,644)	322,214	533,898
Loss for the year (restated)		–	–	–	(111,177)	(111,177)
Other comprehensive income:						
Remeasurement of post-employment benefit obligations (restated)		–	–	–	703	703
Currency translation differences		–	–	334	–	334
Cash flow hedges		–	–	1,180	–	1,180
Total comprehensive loss for the year		–	–	1,514	(110,474)	(108,960)
Transactions with owners:						
Share-based payments:						
– value of services provided		–	–	–	2,348	2,348
Treasury shares purchased	25	–	–	–	(946)	(946)
Proceeds received from exercise of share options		–	–	–	556	556
Transfer to legal reserve	26	–	–	61	(61)	–
Dividends	33	–	–	–	(20,829)	(20,829)
Total transactions with owners		–	–	61	(18,932)	(18,871)
At 31 December 2012		23,552	211,776	(22,069)	192,808	406,067
Profit for the year		–	–	–	36,443	36,443
Other comprehensive income:						
Remeasurement of post-employment benefit obligations		–	–	–	(737)	(737)
Currency translation differences		–	–	(66)	–	(66)
Total comprehensive income for the year		–	–	(66)	35,706	35,640
Transactions with owners:						
Share-based payments:						
– value of services provided		–	–	–	1,049	1,049
Transfer to legal reserve	26	–	–	2	(2)	–
Total transactions with owners		–	–	2	1,047	1,049
At 31 December 2013		**23,552**	**211,776**	**(22,133)**	**229,561**	**442,756**

The notes on pages 71 to 105 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 2012		23,552	211,776	708,852	15,744	959,924
Total comprehensive income for the year		–	–	–	26,995	26,995
Transactions with owners:						
Share-based payments:						
– value of services provided	8	–	–	–	1,199	1,199
– investment in subsidiaries	18	–	–	–	1,149	1,149
Treasury shares issued	25	–	–	–	(2,088)	(2,088)
Proceeds from shares issued (net)		–	–	–	556	556
Dividends	33	–	–	–	(20,829)	(20,829)
Impairment during the year	18	–	–	(379,699)	–	(379,699)
Total transactions with owners		–	–	(379,699)	(20,013)	(399,712)
At 31 December 2012		23,552	211,776	329,153	22,726	587,207
Total comprehensive income for the year		–	–	–	190	190
Transactions with owners:						
Share-based payments:						
– investment in subsidiaries	18	–	–	–	1,049	1,049
Total transactions with owners		–	–	–	1,049	1,049
At 31 December 2013		**23,552**	**211,776**	**329,153**	**23,965**	**588,446**

The notes on pages 71 to 105 form an integral part of these financial statements.

Consolidated cash flow statement

	Note	Year ended 31 December 2013 USD'000	2012 USD'000
Operating activities			
Cash generated from operating activities	37	**118,869**	250,662
Tax paid		**(1,178)**	(715)
Net cash generated from operating activities		**117,691**	249,947
Investing activities			
Additions to property, plant and equipment	16	**(12,007)**	(16,743)
Proceeds from sale of property, plant and equipment		**367**	111
Additions to intangible assets	17	**(2,615)**	(1,839)
Held-to-maturity investment		**–**	6,999
Finance income	11	**975**	867
Dividend received from joint ventures	19	**174**	244
Proceeds from disposal of a subsidiary		**–**	1,628
Movement in deposit with original maturity of more than three months	22	**(10,276)**	45,035
Movement in margin/short-term deposits under lien	22	**56,381**	(54,809)
Net cash provided by/(used in) investing activities		**32,999**	(18,507)
Financing activities			
Proceeds from financial asset at fair value through profit or loss		**–**	7,977
Treasury shares purchased	25	**–**	(946)
Proceeds from options exercised	25	**–**	556
Dividends paid	33	**–**	(20,823)
Proceeds from borrowings		**160,000**	60,630
Repayments of borrowings		**(137,510)**	(173,853)
Finance costs		**(22,421)**	(22,400)
Net cash provided by/(used in) financing activities		**69**	(148,859)
Net increase in cash and cash equivalents		**150,759**	82,581
Cash and cash equivalents, beginning of the year		**126,372**	43,505
Exchange rate translation		**(66)**	286
Cash and cash equivalents, end of the year		**277,065**	126,372
Cash and cash equivalents from continued operations	22	**275,479**	126,372
Cash and cash equivalents from discontinued operations		**1,586**	–
Total		**277,065**	126,372

The notes on pages 71 to 105 form an integral part of these financial statements.

Company cash flow statement

	Note	Year ended 31 December	
		2013 USD'000	2012 USD'000 (restated)
Operating activities			
Profit for the year	32	**209**	26,930
Adjustments for:			
Share-based payments – value of services provided	8	**–**	1,199
Provision for employees' end of service benefits	27	**121**	162
Dividends received from LEL		**–**	(20,826)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**330**	7,465
Payment of employees' end of service benefits	27	**(983)**	–
Changes in working capital:			
Other receivables		**(319)**	62
Accruals		**(599)**	107
Due from related parties	24	**(2,493)**	2,936
Due to related parties	24	**3,967**	(9,133)
Net cash (used in)/generated from operating activities		**(97)**	1,437
Investing activities			
Dividends received from LEL		**–**	20,826
Net cash generated from investing activities		**–**	20,826
Financing activities			
Proceeds from exercise of share options		**–**	556
Treasury shares issued	25	**–**	(2,088)
Dividends paid	33	**–**	(20,829)
Net cash used in financing activities		**–**	(22,361)
Net decrease in cash and cash equivalents		**(97)**	(98)
Cash and cash equivalents, beginning of the year		**200**	298
Cash and cash equivalents, end of the year	22	**103**	200

The notes on pages 71 to 105 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2013

1 Legal status and activities

Lamprell plc ("the Company/the parent company") was incorporated and registered on 4 July 2006 in the Isle of Man as a public company limited by shares under the Isle of Man Companies Acts with the registered number 117101C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited ("LEL") from Lamprell Holdings Limited ("LHL"), under a share for share exchange agreement dated 25 September 2006 and this transaction was accounted for in the consolidated financial statements using the uniting of interests method (Note 26). The Company was admitted to the Alternative Investment Market ("AIM") of the London Stock Exchange with effect from 16 October 2006. From 6 November 2008, the Company moved from AIM and was admitted to trading on the London Stock Exchange ("LSE") plc's main market for listed securities. The address of the registered office of the Company is Fort Anne, Douglas, Isle of Man and the Company is managed from the United Arab Emirates ("UAE"). The address of the principal place of the business is PO Box 33455, Dubai, UAE.

The principal activities of the Company and its subsidiaries (together referred to as "the Group") are: the upgrade and refurbishment of offshore jackup rigs; fabrication; assembly and new build construction for the offshore oil and gas and renewable sector, including jackup rigs and liftboats; Floating Production, Storage and Offloading ("FPSO") and other offshore and onshore structures; and oilfield engineering services, including the upgrade and refurbishment of land rigs.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Place of incorporation
Lamprell Energy Limited	100	100	Isle of Man
Lamprell Investment Holdings Limited ("LIH")	100	100	British Virgin Islands
Lamprell Dubai LLC ("LD")	49[1]	100	UAE
Lamprell Sharjah WLL ("LS")	49[1]	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	[2]	Unincorporated
Jebel Ali Investments Limited ("JIL")	100	100	British Virgin Islands
Lamprell Energy FZCO ("LE FZCO")	90[3]	100	UAE
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[4]	100	Republic of Panama
Rig Metals LLC ("RIM")	49[3]	100	UAE
Litwin PEL Co. LLC ("LIT")	49[3]	100	UAE
Maritime Industrial Services Co. Ltd. & Partners ("MISCLP")	49[3]	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
Marine Investment Holdings Co. Ltd. Inc ("MIH")	100[4]	100	Republic of Panama
MIS Control Trading Company Inc. ("MCT")	100[4]	100	Republic of Panama
MIS Qatar LLC ("MISQWLL")	49[1]	100	Qatar
MIS Control Industrial Company Inc ("MCI")	100[4]	100	Republic of Panama
Lamprell Industrial Services Holdings Limited	100	100	British Virgin Islands
International Inspection Services Limited LLC ("IOM")	49[1]	100	Sultanate of Oman
Lamprell Kazakhstan LLP ("LAK")	100	100	Kazakhstan

1 The remaining balance of 51% in each case is registered in the name of a Gulf Cooperation Council ("GCC") National/entities owned by a GCC National, but has assigned all the economic benefits attached to their shareholdings to the Group entity. The Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity via management agreements and accordingly, these entities are consolidated as wholly owned subsidiaries in these consolidated financial statements. These shareholders receive sponsorship fees from the Group (Note 24).
2 The beneficiaries of the EBT are the employees of the Group.
3 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 resolution to liquidate this entity was passed on 30 December 2013.
4 GMAC, MIH, MCT and MCI are registered in Panama and were liquidated during the year.

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. The consolidated financial statements have been prepared on a going concern basis. The Group is currently financed from Shareholders' equity and borrowings. During the year, the Group secured a new set of debt facilities amounting to USD 181 million with revised covenants. This new arrangement significantly simplifies the Company's lending structure and rationalises the covenants to a common basis (Note 31).

2 Summary of significant accounting policies continued

After reviewing its cash flow forecasts for a period of not less than 12 months from the date of signing of these financial statements, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Group 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 policies 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

IAS 1 (amendments), "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group has applied this amendment.

IAS 19 (amended), "Employee benefits". The impact of this amendment will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in 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). The Group has applied this amendment and its impact is mentioned in Note 2.12 (a).

IAS 27 (revised 2011), "Separate financial statements" includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011), "Associates and joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 7 (amendment), "Financial instruments: Disclosures", on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

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 has adopted the new IFRS and it has no material impact on Group.

IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group has adopted the new IFRS and it has no material impact on Group.

IFRS 11, "Joint arrangements" provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements, joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group has adopted the new IFRS and it has no material impact on Group.

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 has adopted the new IFRS and it has no material impact on Group.

Annual improvements 2011, these annual improvements, address six issues in the 2009-2011 reporting cycle. It includes changes to, IFRS 1, "First time adoption"; IAS 1, "Financial statement presentation"; IAS 16, "Property plant and equipment"; IAS 32, "Financial instruments, Presentation", and; IAS 34, "Interim financial reporting". The Group has adopted these improvements and these have no material impact on the Group.

(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2013 but not currently relevant to the Group

IFRS 1 (amendment), "First time adoption", on government loans. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. This amendment is currently not applicable to the Group, as the Group has no such government loans.

2 Summary of significant accounting policies continued

IFRIC 20, "Stripping costs in the production phase of a surface mine". This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. This amendment is currently not applicable to the Group, as the Group is not into the activity of surface mining.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

IAS 32 (amendments), "Financial instruments: Presentation", on asset and liability offsetting, are guidance to the application and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2014.

IAS 36 (amendment), "Impairment of assets" on recoverable amount disclosures, addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group intends to adopt this amendment no later than the accounting period beginning on or after 1 January 2014.

IAS 39 (amendment), "Novation of derivatives and continuation of hedge accounting" on financial instruments recognition and measurement, provides relief from discontinuing hedge accounting when novation to a hedging instrument to a central counter party meets specified criteria. The Group is yet to assess the full impact of this amendment and intends to adopt this amendment no later than the accounting period beginning on or after 1 January 2014.

Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2014 (subject to EU endorsement).

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. 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).

IFRIC 21, "Levies", this is an interpretation of IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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.

With respect to new build fixed price construction contracts with an expected contract duration of 18 months or greater, profit on such contracts will only be recognised when the contract has progressed to 20% based on the total estimated cost of the contract and the ultimate outcome can be reliably estimated.

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.

2 Summary of significant accounting policies continued

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 receivables are reasonably assured.

(c) Products 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 control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

Business combinations involving entities under common control do not fall within the scope of IFRS 3. Consequently, the Directors have a responsibility to determine a suitable accounting policy. The Directors have decided to follow the uniting of interests' method to account for business combinations involving entities under common control.

Under the uniting of 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 arrangements

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

(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.

2 Summary of significant accounting policies continued

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

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

2.4 Investment in subsidiaries

In the Company's separate financial statements, the investment in subsidiaries is stated at cost less provision for impairment. Cost is the amount of cash paid or the fair value of the consideration given to acquire the investment. Income from such investments is recognised only to the extent that the Company receives distributions from accumulated profits of the investee company arising after the date of acquisition. Distributions received in excess of such profit i.e. from pre-acquisition reserves are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's activities are primarily carried out from the UAE, whose currency, the UAE Dirham, is pegged to the United States Dollar ("USD") and is the functional currency of all the entities in the Group (except MISCLP and MIO whose functional currency is Omani Riyal, MISQWLL whose functional currency is Qatari Riyal, MIS Kazakh Branch and LKZ whose functional currency is Kazakh Tenge and EBT whose functional currency is the Great Britain 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 gains and losses are presented in the consolidated income statement within "other gains/(losses)-net".

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- all resulting exchange differences are recognised 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	3–15
Fixtures and office equipment	3–5
Motor vehicles	5

The assets' residual values, if significant and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies continued

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 2.22).

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

2.7 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 is 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.

(e) Computer software

Work-in-progress in relation to computer software is stated at cost. Directly attributable costs that are capitalised as part of the software product include employee costs. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. 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. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

2 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.

IAS 19 (revised), amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transitional provisions of the standard. The impact of this on the Group has been to restate the income statement and other comprehensive income by recognising all actuarial gains and losses as previously reported at the reporting dates in the income statement in OCI as they occur.

There was no effect of the change in the accounting policy on the consolidated balance sheet. The table below shows the effect on the consolidated income statement.

Impact on the consolidated income statement:

	Year ended 31 December 2012 USD'000
Increase/(decrease)	
Cost of sales	605
Gross loss	605
General and administrative expenses	98
Operating loss	703
Loss before income tax	703

Impact on the Company income statement:

	Year ended 31 December 2012 USD'000
Increase/(decrease)	
General and administrative expenses	65
Operating loss	65
Loss before income tax	65

(b) Share-based payments

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

2 Summary of significant accounting policies continued

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

2.13 Leases

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 general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

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

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 the 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.

2 Summary of significant accounting policies continued

(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.

(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 a related party and cash and cash equivalents (Note 2.14) in the consolidated balance sheet and amounts due from related parties (Note 24) and cash at bank (Note 22) 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 held-to-maturity financial asset or a group of held-to-maturity 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 re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 28. 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".

2 Summary of significant accounting policies continued

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

2.21 Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.22 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.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds received net of any directly attributable transaction costs over the par value of the shares are credited to the share premium.

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

2.24 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 28).

(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 2013, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 899,000 (2012: USD 564,000).

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 2013, if interest rates on borrowings had been 0.5% higher/lower, the interest expense would have been higher/lower by USD 730,000 (2012: USD 1,110,000).

(c) Credit risk

The Group's exposure to credit risk is detailed in Notes 15, 21, 22 and 28. The Group has a policy for dealing with customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks, held-to-maturity investment, 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.

3 Financial risk management continued

At 31 December 2013, the Group had a significant concentration of credit risk with nine of its largest customer balances accounting for 81% (2012: 53%) 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 following table shows the rating and balance of the thirteen major counterparties at the balance sheet date:

	2013		2012	
Counterparty	**External rating+**	**USD'000**	External rating[1]	USD'000
Bank A	**AA-**	**173,407**	AA-	104,373
Bank B	**A+**	**89,785**	A	67,714
Bank C	**AA-**	**37,992**	AA-	37,492
Bank D	**AA-**	**22,884**	AA-	18,728
		324,068		228,307

1 Based on Fitch's long term ratings.

	2013		2012	
	Internal rating[2]	**USD'000**	Internal rating++	USD'000
Customer 1	**Group B**	**94,138**	Group A	14,830
Customer 2	**Group B**	**8,358**	Group A	14,060
Customer 3	**Group A**	**5,314**	Group B	10,577
Customer 4	**Group B**	**4,968**	Group A	7,455
Customer 5	**Group C**	**3,928**	Group B	3,412
Customer 6	**Group B**	**3,304**	Group B	3,412
Customer 7	**Group C**	**2,746**	Group C	2,974
Customer 8	**Group B**	**2,618**	Group A	2,487
Customer 9	**Group A**	**2,517**	Group C	2,359
		127,891		61,566

2 Refer to Note 15 for the description of internal ratings.

The counterparties in 2013 are not necessarily the same counterparties in 2012.

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. The Group is currently financed from Shareholders' equity and borrowings. During the year, the Group secured a new set of debt facilities amounting to USD 181 million with revised covenants. This new arrangement significantly simplifies the Company's lending structure and rationalises the covenants to a common basis.

The Group's liquidity risk on derivative financial instruments is disclosed in Note 28.

The following table analyses the Group's other financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount USD'000	Contractual cash flows USD'000	Less than 1 year USD'000	Between 2 to 3 years USD'000
31 December 2013				
Trade and other payables (excluding due to customers on contracts and dividend payable) (Note 29)	**234,744**	**234,744**	**234,744**	**–**
Borrowings (Note 31)	**160,751**	**161,987**	**56,987**	**105,000**
	395,495	**396,731**	**291,731**	**105,000**
31 December 2012				
Trade and other payables (excluding due to customers on contracts, advances received for contract work and dividend payable) (Note 29)	258,639	258,639	258,639	–
Borrowings (Note 31)	159,323	159,323	159,323	–
	417,962	417,962	417,962	–

3 Financial risk management continued

3.2 Capital risk management

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

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

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

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

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

a. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
c. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2012 and 2013:

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
31 December 2013				
Derivative financial instruments (Note 28)	**–**	**161**	**–**	**161**
31 December 2012				
Derivative financial instruments (Note 28)	–	1,152	–	1,152

There were no liabilities at 31 December 2012 and 2013 measured at fair value.

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. 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 28.3 million (2012: USD 24.4 million) if the total costs to complete are decreased by 10% and the revenue and profit decreasing by USD 29.7 million (2012: USD 45.2 million) if the total costs to complete are increased by 10%.

Estimated impairment of goodwill

The Group tests goodwill (Note 17) for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is monitored by management at the "CGU relating to 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".

4 Critical accounting estimates and judgements continued

The recoverable amount of CGU_1 is determined based on value-in-use calculations. These calculations require the use of estimates. 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 an estimated revenue growth rate of 5% (2012: 5%). A discount rate of 11.48% (2012: 12.96%) is used to discount the pre-tax cash flow projections to the present value. In determining the appropriate discount rate, the Group considers the weighted average cost of capital employed, which takes into consideration the risk free rate of US treasury bonds with the long term maturity period, UAE inflation rate, Equity risk premium on the entities operating from UAE, Group's beta and cost of Group's debt.

A change in the assumptions selected by management used in the cash flow projections could significantly affect the impairment evaluation. If the revenue growth rate used was to differ by 0.5% from management's estimates, there would be a reduction of USD 3 million (2012: USD 1.6 million) in the headroom if the revenue growth rate was lower by 0.5% and the headroom would be higher by USD 3 million (2012: USD 1.6 million) if the revenue growth rate was higher by 0.5%. If the discount rate used was to differ by 0.5% from management's estimates, there would be a reduction in the headroom of USD 27.6 million (2012: USD 23.6 million) if the discount rate was to increase by 0.5% or an increase in the headroom by USD 31.2 million (2012: USD 26.3 million) if the discount rate was to decrease by 0.5%. If the net profit as a percentage of revenue used was to differ by 0.5% from management's estimates, there would be an increase of USD 56.1 million (2012: USD 61.9 million) in the headroom if the net profit as a percentage of revenue was to increase by 0.5% and there would be a decrease of USD 56.1 million (2012: USD 61.9 million) in the headroom if the net profit as a percentage of revenue were to decrease by 0.5%. If the terminal value growth rate used was to differ by 0.5% from management's estimates, there would be a reduction in the headroom of USD 19.9 million (2012: USD 16.7 million) if the terminal value growth rate was lower by 0.5% or an increase in the headroom of USD 22.5 million (2012: USD 18.6 million) if the terminal value growth rate was higher by 0.5%.

Estimated impairment of investment in subsidiaries

The Company tests investment in subsidiaries (Note 18) for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. The recoverable amount of the investment in subsidiaries is determined based on value-in-use calculations. These calculations require the use of estimates. 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 revenue growth rate of 5% (2012: 5%). A discount rate of 11.48% (2012: 12.96%) is used to discount the pre-tax cash flows projections to the present value. In determining the appropriate discount rate, the Group considers the weighted average cost of capital employed, which takes into consideration the risk free rate of US treasury bonds with the long-term maturity period, UAE inflation rate, Equity risk premium on the entities operating from UAE, Group's beta and cost of Group's debt.

A change in the assumptions selected by management used in the cash flow projections, could significantly affect the impairment evaluation. If the revenue growth rate used was to differ by 0.5% from management's estimates, the headroom would be lower by USD 3.1 million (2012: impairment charge higher by USD 2.1 million) if the revenue growth rate was decreased by 0.5% and the headroom would be higher by USD 3.1 million (2012: impairment charge lower by USD 2.1 million) if the revenue growth rate was increased by 0.5%. If the discount rate used was to differ by 0.5% from management's estimates, the headroom would be lower by USD 27.5 million (2012: impairment charge higher by USD 25.5 million) if the discount rate was increased by 0.5% and the headroom would be higher by USD 31.1 million (2012: impairment charge lower by USD 28.3 million) if the discount rate was decreased by 0.5%. If the net profit as a percentage of revenue was to differ by 0.5% from management's estimates, there would be an impairment charge of USD 56.4 million (2012: impairment charge higher by USD 67.1 million) if the net profit as a percentage of revenue was lower by 0.5% and the headroom would be higher by USD 56.4 million (2012: impairment charge lower by USD 67.1 million) if the net profit as a percentage of revenue was higher by 0.5%. If the terminal value growth rate was to differ by 0.5% from management's estimates, the headroom would be lower by USD 19.8 million (2012: impairment charge higher by USD 17.8 million) if the terminal value growth rate was lower by 0.5% and the headroom would be higher by USD 22.4 million (2012: the impairment charge would be lower by USD 19.8 million) if the terminal value growth rate was increased by 0.5%.

If the investment in LEL was to be further impaired based on the above sensitivity analysis, the impairment loss on the investment in LEL will be adjusted from the other reserve (Note 26) in the separate financial statements of the Company and accordingly this will have no impact on the Group's consolidated statement of comprehensive income.

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 for corporate bonds and no market for government bonds and therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy. On this basis, the discount rate applied was 4.25% (2012: 3 %). 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 1.3 million (2012: USD 1.2 million) lower or USD 1.4 million (2012: USD 1.3 million) higher. If the salary growth 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 1.5 million (2012: USD 1.3 million) higher or USD 1.4 million (2012: USD 1.2 million) lower.

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"), Sunbelt, Engineering and Construction ("E&C") and Operations and Management ("O&M").

SHJ, HAM, JBA and LRS are reported as a single segment (Segment A). Services provided from Sunbelt, E&C and O&M 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.

Sunbelt derives its revenue from safety and training services, E&C derives its revenue from site works, compression and chemicals and, O&M derives its revenue from the labour supply and other operations and maintenance services.

	Segment A USD'000	All other segments USD'000	Total USD'000
Year ended 31 December 2013			
Total segment revenue	**1,009,818**	**90,042**	**1,099,860**
Inter-segment revenue	**(525)**	**(7,564)**	**(8,089)**
Revenue from external customers	**1,009,293**	**82,478**	**1,091,771**
Gross operating profit	**127,881**	**32,030**	**159,911**
Year ended 31 December 2012			
Total segment revenue	950,176	75,770	1,025,946
Revenue from external customers	950,176	75,770	1,025,946
Gross operating profit	22,171	8,267	30,438

Sales between segments are carried out on agreed terms. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The staff, equipment and certain subcontract costs are measured based on standard cost. The measurement basis excludes the effect of the common expenses for yard rent, repairs and maintenance and other miscellaneous expenses. The reconciliation of the gross operating profit/(loss) is provided as follows:

	2013 USD'000	2012 USD'000 (restated)
Gross operating profit for the reportable segment as reported to the Executive Directors	**127,881**	22,171
Gross operating profit for all other segments as reported to the Executive Directors	**32,030**	8,267
Unallocated:		
Under-absorbed employee and equipment costs	**(15,069)**	(26,746)
Repairs and maintenance	**(13,168)**	(17,615)
Yard rent and depreciation	**(9,829)**	(9,297)
Others	**(6,591)**	(4,445)
Gross profit/(loss)	**115,254**	(27,665)
Selling and distribution expenses (Note 7)	**(1,591)**	(1,489)
General and administrative expenses (Note 9)	**(62,288)**	(71,360)
Other gains/(losses) – net (Note 12)	**1,536**	5,602
Finance costs (Note 11)	**(23,169)**	(22,397)
Finance income (Note 11)	**975**	867
Others	**19**	262
Profit/(loss) for the year from continuing operations	**30,736**	(116,180)

Information about segment assets and liabilities is not reported to or used by the Executive Directors and accordingly, no measures of segment assets and liabilities are reported.

5 Segment information continued

The breakdown of revenue from all services is as follows:

	2013 USD'000	2012 USD'000
New build activities – oil and gas	**580,200**	493,637
New build activities – renewables	**95,070**	66,365
Upgrade and refurbishment activities	**122,529**	176,896
Offshore construction	**195,619**	179,666
Others	**98,353**	109,382
	1,091,771	1,025,946

The Group's principal place of business is in the UAE. The revenue recognised in the UAE with respect to services performed to external customers is USD 1,076.3 million (2012: USD 1,011.3 million), and the revenue recognised from the operations in other countries is USD 15.5 million (2012: USD 14.6 million).

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

	2013 USD'000	2012 USD'000
External customer A	**332,792**	188,993
External customer B	**147,830**	122,453
External customer C	**112,967**	109,518
	593,589	420,964

The revenue from these customers is attributable to Segment A. The above customers in 2013 are not necessarily the same customers in 2012.

6 Cost of sales

	2013 USD'000	2012 USD'000 (restated)
Materials and related costs	**413,103**	407,339
Sub-contract costs	**236,682**	295,577
Staff costs (Note 10)	**193,521**	193,452
Sub-contract labour	**54,966**	65,993
Equipment hire	**17,854**	25,155
Depreciation (Note 16)	**17,001**	18,695
Repairs and maintenance	**13,168**	15,206
Yard rent	**6,194**	7,194
Warranty costs	**5,400**	–
Others	**18,628**	25,000
	976,517	1,053,611

7 Selling and distribution expenses

	2013 USD'000	2012 USD'000
Travel	**945**	944
Advertising and marketing	**498**	493
Entertainment	**96**	48
Others	**52**	4
	1,591	1,489

8 Share-based payments

Group

	2013 USD'000	2012 USD'000
Amount of share-based charge (Note10):		
– relating to free share plan	**610**	543
– relating to executive share option plan	**–**	17
– relating to performance share plan	**391**	1,727
	1,001	2,287

Company

	2013 USD'000	2012 USD'000
Amount of share-based charge:		
– relating to executive share option plan	**–**	17
– relating to performance share plan	**–**	1,182
	–	1,199

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
2012				
26 April 2012	287,500	24 months	£3.49	–

A charge of USD 610,000 (2012: USD 543,000) is recognised in the consolidated income statement for the year with a corresponding credit to the consolidated retained earnings.

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

An analysis of the number of shares granted, vested during the year and expected to vest in future periods is provided below:

	Number of shares
Shares expected to vest in future periods at 1 January 2012	–
Shares granted under free share plan	287,500
Shares lapsed due to non-satisfaction of vesting conditions	(70,000)
Shares expected to vest in future periods at 31 December 2012	217,500
Shares lapsed due to non-satisfaction of vesting conditions	(90,000)
Shares expected to vest in future periods at 31 December 2013	**127,500**

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 ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

8 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		
Adjustment for the rights issue	0.57	55,048		
Vested and exercised	0.57	(605,048)		
At 31 December 2012		–		

5,876 options under this plan were vested on due date but not exercised or lapsed at 31 December 2013 (2012: 13,711).

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 ten 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%. During 2012, a charge of USD 17,000 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 17,000.

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				
2012					
16 April 2012	507,216	36 months	£3.19	No	–

Accordingly, a charge of USD 439,000 (2012: USD 1,788,000) is recognised in the consolidated income statement for the year with a corresponding credit to the consolidated retained earnings. During 2012, this includes a charge recognised in the income statement of the Company with a corresponding credit to retained earnings of USD 1,182,000.

8 Share-based payments continued

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

An analysis of the number of shares gifted/granted, vested during the year and expected to vest in future periods is provided below:

	Number of shares
Shares expected to vest in future periods at 1 January 2012	880,532
Shares granted performance share plan	507,216
Shares lapsed due to non-satisfaction of vesting conditions	(1,116,360)
Shares expected to vest in future periods at 31 December 2012	271,388
Shares lapsed due to non-satisfaction of vesting conditions	(113,917)
Shares expected to vest in future periods at 31 December 2013	**157,471**

9 General and administrative expenses

	2013 USD'000	2012 USD'000 (restated)
Staff costs (Note 10)	**32,433**	31,197
Legal, professional and consultancy fees	**5,321**	6,370
Depreciation (Note 16)	**5,153**	4,993
Amortisation of intangible assets (Note 17)	**9,416**	8,534
Utilities and communication	**719**	717
Provision for impairment of trade receivables, net of amounts recovered	**1,804**	6,281
Write-off of intangible assets	–	4,339
Regulatory fine	–	3,720
Others	**7,442**	5,209
	62,288	71,360

During 2012, general and administrative expenses includes exceptional items relating to a regulatory fine amounting to USD 3.7 million and related legal expenses of USD 1 million (Note 34).

10 Staff costs

	2013 USD'000	2012 USD'000 (restated)
Wages and salaries	**130,476**	126,741
Employees' end of service benefits (Note 27)	**6,166**	6,847
Share-based payments – value of services provided (Note 8)	**1,001**	2,287
Termination benefits	–	1,718
Other benefits	**88,311**	87,056
	225,954	224,649
Staff costs are included in:		
Cost of sales (Note 6)	**193,521**	193,452
General and administrative expenses (Note 9)	**32,433**	31,197
	225,954	224,649
Number of employees at 31 December	**7,568**	7,950

10 Staff costs continued

Directors' remuneration comprises:

	Salary 2013 USD'000	Fees 2013 USD'000	Allowances & benefits 2013 USD'000	Share based payments value of services provided 2013 USD'000	Post employment benefits 2013 USD'000	Termination benefits 2013 USD'000	Total 2013 USD'000	Total 2012 USD'000
Executive Directors								
Jim Moffat+	**627**	–	**985**	–	**40**	–	**1,652**	–
Joanne Curin++	**136**	–	**148**	–	**28**	–	**312**	–
Peter Whitbread+++	**655**	**52**	**849**	–	–	–	**1,556**	352
Frank Nelson++++	**417**	–	**812**	–	**32**	–	**1,261**	–
Nigel McCue*	–	–	–	–	–	–	–	1,962
Chris Hand**	–	–	–	–	–	–	–	1,152
Jonathan Cooper***	–	–	–	–	–	–	–	1,186
Non-Executive Directors								
John Kennedy****	–	**290**	–	–	–	–	**290**	145
Michael Press*****	–	**82**	–	–	–	–	**82**	–
John Malcolm^	–	**70**	–	–	–	–	**70**	–
Ellis Armstrong^^	–	**68**	–	–	–	–	**68**	–
Jonathan Silver^^^	–	**58**	–	–	–	–	**58**	264
Deena Mattar^^^^	–	**88**	–	–	–	–	**88**	58
Colin Goodall^^^^^	–	**58**	–	–	–	–	**58**	137
Richard Raynaut^^^^^^	–	–	–	–	–	–	–	39
Brian Fredrick^^^^^^^	–	–	–	–	–	–	–	34
	1,835	**766**	**2,794**	–	**100**	–	**5,495**	5,329

The emoluments of the highest paid Director were USD 1.6 million (2012: USD 2 million) and these principally comprised salary, benefits, bonus and share based payments.

+ Appointed as Chief Executive Officer and Director on 1 March 2013.
++ Appointed as Chief Financial Officer and Director on 1 October 2013.
+++ Appointed as Interim Chief Executive Officer and Director on 4 October 2012; retired as Interim Chief Executive Officer with effect from 1 March 2013; retired as Director with effect from 30 June 2013 and appointed as Non-executive Director on 1 July 2013.
++++ Appointed as Interim Chief Financial Officer on 4 October 2012; appointed Chief Financial Officer and Director on 21 March 2013 and resigned as Chief Financial Officer and Director with effect from 31 October 2013.
* Stood down as Chief Executive Officer and Director with effect from 4 October 2012.
** Stood down as Chief Operating Officer and Director with effect from 4 October 2012.
*** Stood down as Chief Financial Officer and Director with effect from 4 October 2012.
**** Appointed as Non-Executive Chairman on 15 June 2012.
***** Appointed as Non-Executive Director on 27 May 2013.
^ Appointed as Non-Executive Director on 27 May 2013.
^^ Appointed as Non-Executive Director on 27 May 2013.
^^^ Appointed as Deputy Chairman with effect from 7 June 2012 and retired with effect from 27 May 2013.
^^^^ Appointed as Non-Executive Director on 1 April 2012 and retired with effect from 27 May 2013.
^^^^^ Retired as Non-Executive Director with effect from 27 May 2013.
^^^^^^ Retired as Non-Executive Director with effect from 7 June 2012.
^^^^^^^ Resigned as Non-Executive Director with effect from 14 June 2012.

11 Finance costs – net

Finance costs

	2013 USD'000	2012 USD'000
Bank guarantee charges	**5,906**	6,764
Interest on bank borrowings	**7,693**	9,574
Facility fees	**36**	4,429
Commitment fees	**431**	67
Others	**9,103**	1,563
	23,169	22,397

During 2013, others in finance costs includes USD 8.4 million relating to expenses incurred during the process of covenant waivers and refinancing negotiations with lenders (Note 34).

Finance income

Finance income comprises interest income on bank deposits of USD 0.98 million (2012: USD 0.87 million).

12 Other gains/(losses) – net

	2013 USD'000	2012 USD'000
Fair value gain on derivatives (Note 28)	**501**	1,152
(Loss)/profit on disposal of property, plant and equipment	**(385)**	37
Gain on settlement of receivable from KSAM2	–	4,265
Gain on disposal of a subsidiary	–	853
Fair value loss on financial asset carried at fair value through profit or loss	–	(195)
Gain on settlement of held-to-maturity investment	–	120
Exchange gain/(loss) – net	**468**	(947)
Others	**952**	317
	1,536	5,602

13 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (Note 25).

(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 the executive share option plan and the performance share plan, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share awards/options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards/options.

In the previous year, as the Company had incurred a loss from continuing operations, all of the Company's existing potential ordinary shares were not dilutive as they decrease the loss from continuing operations.

	2013 USD'000	2012 USD'000 (restated)
The calculations of earnings/(loss) per share are based on the following profit/(loss) and numbers of shares:		
Profit/(loss) for the year	**36,443**	(111,177)
Weighted average number of shares for basic earnings/(loss) per share	**260,348,415**	260,219,631
Adjustments for:		
Assumed exercise of the free share awards	**65,725**	–
Assumed vesting of the performance share plan	**38,419**	–
Weighted average number of shares for diluted earnings per share	**260,452,559**	260,219,631
Earnings/(loss) per share:		
Basic	**14.00c**	(42.72)c
Diluted	**13.99c**	(42.72)c
Earnings/(loss) per share from continued operations:		
Basic	**11.81c**	(44.64)c
Diluted	**11.80c**	(44.64)c
Earnings per share from discontinued operations:		
Basic	**2.19c**	1.92c
Diluted	**2.19c**	1.92c

14 Operating profit

Operating profit (from continuing operations) is stated after charging/recognising:

	2013 USD'000	2012 USD'000
Depreciation	**22,186**	23,664
Auditor's remuneration – audit services	**490**	490
Auditor's remuneration – taxation and related services	**360**	234
Auditor's remuneration – other services[1]	**1,267**	620
Operating lease rentals – land and buildings	**17,156**	17,920
Provision for impairment of trade receivable	**3,030**	6,316

1 Other services in 2013 and 2012 mainly relates to debt restructuring.

15 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	Total USD'000
31 December 2013			
Derivative financial instruments (Note 28)	**–**	**161**	**161**
Trade receivables – net of provision (Note 21)	**150,446**	**–**	**150,446**
Other receivables excluding prepayments	**8,095**	**–**	**8,095**
Due from related parties (Note 24)	**197**	**–**	**197**
Cash and bank balances (Note 22)	**344,573**	**–**	**344,573**
	503,311	**161**	**503,472**
31 December 2012			
Derivative financial instruments (Note 28)	–	1,152	1,152
Trade receivables – net of provision (Note 21)	107,225	–	107,225
Other receivables excluding prepayments	9,830	–	9,830
Due from related parties (Note 24)	356	–	356
Cash and bank balances (Note 22)	263,439	–	263,439
	380,850	1,152	382,002

Liabilities as per balance sheet

	Liabilities at amortised cost	
	2013 USD'000	2012 USD'000
Trade payables (Note 29)	**31,247**	41,007
Accruals (Note 29)	**203,497**	217,632
Provision for warranty costs (Note 30)	**5,400**	–
Borrowings (Note 31)	**160,751**	159,323
	400,895	417,962

15 Financial instruments by category continued

Company

Assets as per balance sheet

	Loans and receivables	
	2013 USD'000	2012 USD'000
Cash at bank	**103**	200
Due from related parties (Note 24)	**7,631**	5,138
Other receivables	**369**	50
	8,103	5,388

Liabilities as per balance sheet

	Liabilities at amortised cost	
	2013 USD'000	2012 USD'000
Due to related parties (Note 24)	**12,334**	8,367
Accruals	**29**	628
	12,363	8,995

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:

	2013 USD'000	2012 USD'000
Trade receivables		
Group A	**10,425**	42,562
Group B	**96,257**	15,274
Group C	**2,941**	7,381
	109,623	65,217

Group A – Last six months average debtor days is less than 45.
Group B – Last six months average debtor days is between 46 and 90.
Group C – Last six months average debtor days is above 90.

Derivative financial instruments

The credit quality of derivative financial instruments is disclosed in Note 28.

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

	2013 USD'000	2012 USD'000
Cash at bank and short-term bank deposits		
Fitch's ratings		
AA-	**234,283**	128,489
A+	**100,245**	58,096
A	**8,977**	75,994
A-	**–**	53
B+	**280**	–
BBB+	**117**	–
BBB-	**14**	–
Not rated	**188**	184
	344,104	262,816
Cash in hand	**469**	623
Cash at bank and in hand (Note 22)	**344,573**	263,439

15 Financial instruments by category continued

Company

	2013 USD'000	2012 USD'000
Due from related parties (Note 24)	**7,631**	5,138

Due from related parties is neither past due nor impaired.

	2013 USD'000	2012 USD'000
Cash at bank		
Fitch's ratings		
A	**103**	200

16 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 2012	95,015	105,657	14,038	4,925	34,962	254,597
Additions	5,952	5,832	1,330	189	3,440	16,743
Exchange differences	8	28	3	16	–	55
Transfers	8,376	17,735	628	(246)	(26,493)	–
Disposed as a part of disposal of a subsidiary	–	(1,055)	–	–	–	(1,055)
Other disposals	(47)	(63)	–	(213)	–	(323)
At 31 December 2012	109,304	128,134	15,999	4,671	11,909	270,017
Additions	5,547	2,054	792	300	3,314	12,007
Transfers	10,359	416	314	13	(11,102)	–
Assets of disposal group classified as held for sale (Note 23)	(1,303)	(10,030)	(871)	(1,577)	(432)	(14,213)
Other disposals	(675)	(3,721)	(27)	(885)	–	(5,308)
At 31 December 2013	**123,232**	**116,853**	**16,207**	**2,522**	**3,689**	**262,503**
Depreciation						
At 1 January 2012	15,412	51,021	9,853	2,955	–	79,241
Charge for the year	6,186	16,420	2,350	510	–	25,466
Exchange differences	(29)	29	5	2	–	7
Disposed as a part of disposal of a subsidiary	–	(280)	–	–	–	(280)
Other disposals	(18)	(54)	–	(194)	–	(266)
At 31 December 2012	21,551	67,136	12,208	3,273	–	104,168
Charge for the year	6,542	14,413	2,502	527	–	23,984
Accumulated depreciation of disposal group classified as held for sale (Note 23)	(465)	(7,191)	(716)	(1,021)	–	(9,393)
Other disposals	(356)	(3,544)	(24)	(655)	–	(4,579)
At 31 December 2013	**27,272**	**70,814**	**13,970**	**2,124**	**–**	**114,180**
Net book amount						
At 31 December 2013	**95,960**	**46,039**	**2,237**	**398**	**3,689**	**148,323**
At 31 December 2012	87,753	60,998	3,791	1,398	11,909	165,849

Buildings have been constructed on land, leased on a renewable basis from various Government Authorities. The remaining lives of the leases range between four to 20 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.

Property, plant and equipment amounting to USD 140 million are under lien against the bank facilities (Note 31).

During the year, the Group has capitalised borrowing costs amounting to USD 0.5 million (2012: USD 0.7 million) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.6% (2012: 5%).

A depreciation expense of USD 17 million (2012: USD 18.6 million) has been charged to cost of sales; USD 5.2 million (2012: USD 5 million) to general and administrative expenses (Notes 6 and 9) and USD 1.8 million (2012: USD 1.9 million) is presented within profit for the year from discontinued operations (Note 23).

17 Intangible assets

	Goodwill USD'000	Trade name USD'000	Customer relationships USD'000	Leasehold rights USD'000	Softwares USD'000	Work-in-progress USD'000	Total USD'000
Cost							
At 1 January 2012	180,539	22,335	19,323	9,872	–	2,991	235,060
Additions	–	–	–	–	–	1,839	1,839
Disposal/write-off	–	–	–	(1,534)	–	(3,294)	(4,828)
Transfers	–	–	–	–	1,536	(1,536)	–
At 31 December 2012	180,539	22,335	19,323	8,338	1,536	–	232,071
Additions	–	–	–	–	–	2,615	2,615
At 31 December 2013	**180,539**	**22,335**	**19,323**	**8,338**	**1,536**	**2,615**	**234,686**
Amortisation							
At 1 January 2012	–	1,303	2,214	682	–	–	4,199
Charge for the year (Note 9)	–	2,826	4,831	706	171	–	8,534
Disposal/write-off	–	–	–	(489)	–	–	(489)
At 31 December 2012	–	4,129	7,045	899	171	–	12,244
Charge for the year (Note 9)	–	2,641	4,831	579	1,365	–	9,416
At 31 December 2013	**–**	**6,770**	**11,876**	**1,478**	**1,536**	**–**	**21,660**
Net book amount							
At 31 December 2013	**180,539**	**15,565**	**7,447**	**6,860**	**–**	**2,615**	**213,026**
At 31 December 2012	180,539	18,206	12,278	7,439	1,365	–	219,827

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

Customer relationships represent the expected future economic benefits to be derived from the existing relationship with key MIS customers acquired through the acquisition of MIS.

Leasehold rights represent a favourable operating right acquired upon the 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 has been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease terms (12 to 20 years).

Work-in-progress represents the cost incurred towards the implementation of a new Enterprise Resource Planning software ("ERP software"). During 2012, the implementation of the old ERP software was discontinued and the usable portion of USD 1.5 million was transferred to software, and amortised until 31 December 2013.

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 180.5 million arising due to the acquisition of MIS has been allocated to the CGU_1 within Segment A.

The recoverable amount of CGU_1 has been determined based on value-in-use calculations. These calculations require the use of estimates. These calculations use pre-tax cash flow projections based on financial budgets approved by the management, which are based on past performance and management's expectations of market development, covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is pre-tax and reflect specific risks to the relevant cash generating unit.

The key assumptions used for value-in-use calculations are as follows:

	2013	2012
Revenue growth rate[1]	**5%**	5%
Discount rate[2]	**11.48%**	12.96%
Net profit rate[3]	**3%**	3%
Terminal value growth rate	**3.25%**	3.25%

1 Year on year beyond budget period.
2 Pre-tax discount rate applied to cash flow projections.
3 Net profit percentage on revenue beyond budget period.

18 Investment in subsidiaries

	2013 USD'000	2012 USD'000
Balance at 1 January	**591,732**	970,282
Share-based payments to employees of subsidiaries in accordance with IFRS 2	**1,049**	1,149
Impaired during the year	**–**	(379,699)
Balance at 31 December	**592,781**	591,732

The Company granted free shares/share options to employees of its subsidiaries under various plans (Note 8). These shares and options have a vesting period of 18 to 36 months. Accordingly, the proportionate share-based charge for the year of USD 1 million (2012: USD 1.1 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to retained earnings.

The recoverable amount of the investment in subsidiaries is determined based on value-in-use calculations (Note 4). Based on these calculations, an impairment charge of USD 379.7 million with respect to the investment in LEL is recognised during 2012 in the other reserve (Note 26) in the separate balance sheet of Company. This relates to the impairment of investment in LEL which was accounted for using the uniting of interest method for business combinations.

19 Investments accounted for using the equity method

Investment in joint ventures

	2013 USD'000	2012 USD'000
Balance at 1 January	**4,679**	3,870
Dividend received during the year	**(174)**	(244)
Share of profit for the year	**1,110**	1,053
	5,615	4,679

The Group through its acquisition of MIS in July 2011 has gained joint control over the existing joint ventures of MIS.

During 2012, the Group entered a joint venture agreement through its subsidiary Lamprell Sharjah WLL with Saudi Arabia based Shoaibi Group, Al Yusr Townsend and Bottum L.L.C., to form Lamprell Arabia Ltd ("LAR"). LAR will be based in Al Khobar, Saudi Arabia and will engage in the refurbishment of onshore and offshore rigs and building new land drilling rigs. Once in existence, the Group will hold 65% interest in LAR. As at the balance sheet date, LAR's formation was in progress and there has been no outflow from the Group in the form of investment.

Details of the Group's joint ventures during the year and at the balance sheet date is as follows:

Name of the joint venture	Place of incorporation and operation	Proportion of ownership	Status
MIS Arabia Co. Ltd. ("MISA")*	Jubail, Kingdom of Saudi Arabia	30%	Operational

* 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.

	2013 USD'000	2012 USD'000
Total current assets	**25,172**	24,988
Total non-current assets	**6,701**	8,241
Total current liabilities	**(10,336)**	(14,878)
Total non-current liabilities	**(1,836)**	(1,500)
Net assets	**19,701**	16,851
Group's share of joint venture's net assets – net of Group's share of income tax	**5,615**	4,679
Revenue	**40,328**	40,117
Expenses	**(35,537)**	(35,510)
Profit	**4,791**	4,607
Group's share of joint venture's net profit/(loss) – net of Group's share of income tax	**1,110**	1,053

Maritime Industrial Services Arabia Co. Ltd. is a private company and there is no quoted market price available for its shares.

Notes to the financial statements for the year ended 31 December 2013 continued

19 Investments accounted for using the equity method continued

The Group has the following contingencies and commitments relating to Group's interest in the joint venture.

	2013 USD'000	2012 USD'000
Letters of Credit	**52**	14
Letters of guarantee	**2,296**	3,517
Operating lease commitments	**210**	203

20 Inventories

	2013 USD'000	2012 USD'000
Raw materials and consumables	**13,403**	15,621
Less: Provision for slow moving and obsolete inventories	**(1,718)**	(2,396)
	11,685	13,225

21 Trade and other receivables

	2013 USD'000	2012 USD'000
Trade receivables	**158,161**	115,222
Other receivables and prepayments	**16,068**	17,952
Advances to suppliers	**811**	3,131
Receivables from a related party (Note 24)	**197**	356
	175,237	136,661
Less: Provision for impairment of trade receivables	**(7,715)**	(7,997)
	167,522	128,664
Amounts due from customers on contracts	**57,557**	141,165
Contract work in progress (Note 2.2)	**102,239**	128,520
	327,318	398,349

Amounts due from customers on contracts comprise:

	2013 USD'000	2012 USD'000
Costs incurred to date	**618,302**	866,605
Attributable profits	**113,562**	65,395
	731,864	932,000
Less: Progress billings	**(674,307)**	(790,835)
	57,557	141,165

An analysis of trade receivables is as follows:

	2013 USD'000	2012 USD'000
Fully performing	**109,623**	65,217
Past due but not impaired	**40,823**	42,008
Impaired	**7,715**	7,997
	158,161	115,222

Trade receivables that are less than three months past due are generally not considered impaired. At 31 December 2013, trade receivables of USD 40.8 million (2012: USD 42 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 USD'000	2012 USD'000
Up to three months	**18,456**	25,111
Three to six months	**10,311**	10,041
Over six months	**12,056**	6,856
	40,823	42,008

21 Trade and other receivables continued

At 31 December 2013, trade receivables of USD 7.7 million (2012: USD 8 million) were impaired and provided for. The individually impaired receivables are over six months (2012: 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.

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

	2013 USD'000	2012 USD'000
At 1 January	**7,997**	3,109
Provision for impairment of trade receivables	**3,030**	7,668
Receivables written off during the year as uncollectible	**(632)**	(2,745)
Amounts recovered	**(1,226)**	(35)
Reclassified as asset held for sale (Note 23)	**(1,454)**	–
At 31 December	**7,715**	7,997

The creation and release of the provision for impaired receivables have been included in general and administrative expenses in the consolidated income statement (Note 9). 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.

22 Cash and bank balances

Group

	2013 USD'000	2012 USD'000
Cash at bank and on hand	**48,738**	148,185
Term deposits and margin deposits	**295,835**	115,254
Cash and bank balances	**344,573**	263,439
Less: Margin/short-term deposits under lien	**(16,500)**	(72,936)
Less: Deposits with an original maturity of more than three months	**(52,594)**	(42,318)
Less: Bank overdraft	**–**	(21,813)
Cash and cash equivalents (for the purpose of the cash flow statement)	**275,479**	126,372

At 31 December 2013, the cash at bank and term deposits were held with 15 (2012: 18) banks. The effective interest rate on short-term deposits was 0.54% (2012: 0.88%) per annum. Margin and short-term deposits of USD 16.5 million (2012: USD 72.9 million) and deposits with an original maturity of more than three months amounting to USD 50.6 million (2012: USD 42.3 million) are held under lien against guarantees issued by the banks (Note 36).

Company

Cash at bank comprises of cash held with one bank.

23 Non-current assets held for sale and discontinued operations

During the year, the Group decided to dispose one of the subsidiaries (Inspec) which, at the balance sheet date, meet the criteria for assets held for sales and discontinued operations as per IFRS 5.

The main elements of the cash flow of the Inspec are as follows:

	Year ended 31 December	
	2013 USD'000	2012 USD'000
Operating cash flows	**6,336**	3,179
Investing cash flows	**(1,645)**	(2,205)
Financing cash flows	**(4,753)**	(3)
Total cash flows	**(62)**	971

Notes to the financial statements for the year ended 31 December 2013 continued

23 Non-current assets held for sale and discontinued operations continued

The assets held for sale related to Inspec discontinued operations are as follows:

	2013 USD'000
Property, plant and equipment (Note 16)	**4,820**
Inventories	**460**
Trade and other receivables (net of provision for impairment of trade receivables)	**16,922**
Cash and bank balances	**1,641**
	23,843

The liabilities classified as held for sale related to Inspec discontinued operations are as follows:

	2013 USD'000
Provision for employees' end of service benefits	**1,487**
Trade and other payables	**3,345**
	4,832

Analysis of the result of discontinued operations related to Inspec is as follows:

	Year ended 31 December	
	2013 USD'000	2012 USD'000
Revenue	**20,842**	19,336
Cost of sales	**(13,821)**	(11,834)
General and administrative expenses	**(1,421)**	(2,546)
Other gains/losses – net	**110**	50
Finance costs – net	**(3)**	(3)
Profit from discontinued operations	**5,707**	5,003
Re-measurement of post-employment benefit obligations	**(260)**	(49)
Total comprehensive income arising from discontinued operations	**5,447**	4,954

The contingent liabilities related to Inspec discontinued operations are as follows:

	2013 USD'000
Operating lease commitments	**107**
Capital commitments for purchase of operating equipment	**127**
Bank guarantees	**23**

24 Related party balances and transactions

Related parties comprise LHL (which owns 33% of the issued share capital of the Company), certain legal shareholders of the Group companies, Directors and key management personnel of the Group and entities controlled by Directors and key management personnel. Key management includes the 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 those 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:

	2013 USD'000	2012 USD'000
Key management compensation	**7,074**	8,482
Legal and professional services	**1,221**	609
Sales to joint ventures	**416**	443
Purchases from joint ventures	**249**	50
Sponsorship fees and commissions paid to legal shareholders of subsidiaries (Note 1)	**382**	356

24 Related party balances and transactions continued

Key management compensation comprises:

	2013 USD'000	2012 USD'000
Salaries and other short-term employee benefits	**6,875**	5,127
Share-based payments – value of services provided	**–**	1,513
Post-employment benefits	**199**	124
Termination benefits	**–**	1,718
	7,074	8,482

The terms of the employment contracts of the key management include reciprocal notice periods of between six to twelve months.

Due from/due to related parties

Due from related parties

Group

	2013 USD'000	2012 USD'000
MIS Arabia Co. Ltd (current) (Note 21)	**197**	356

Company

	2013 USD'000	2012 USD'000
MIS[1]	**7,500**	5,000
EBT[2]	**131**	138
	7,631	5,138

1 Primarily comprises a receivable in respect of management fees charged by the Company.
2 Includes USD 50,688 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 during the year 2012 include an amount of USD 6.9 million in respect of shares held by LHL, a company controlled by Steven Lamprell who is a member of the key management.

Due to related parties

Company

	2013 USD'000	2012 USD'000
LEL[1]	**12,331**	8,367
Inspec[1]	**3**	–
	12,334	8,367

1 Primarily comprises payables in respect of payments made on behalf of the Company.

25 Share capital

Issued and fully paid ordinary shares

Company

	Equity share capital	
	Number	USD'000
At 1 January 2012, 31 December 2012 and 31 December 2013	260,363,101	23,552

The total authorised number of ordinary shares is 400 million shares (2012: 400 million shares) with a par value of 5 pence per share (2012: 5 pence per share).

During 2013, there has been no new issuance or acquisition of its shares by the Company on its own or through any other Subsidiary. Treasury shares held at 31 December 2013 are 14,686 shares (2012: 14,686 shares). 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 8).

25 Share capital continued

During 2012, EBT acquired 170,000 shares of the Company. The total amount paid to acquire the shares was USD 0.95 million and this amount has been deducted from the consolidated retained earnings. During 2012, 605,048 shares amounting to USD 2.1 million were issued to employees on vesting of the free shares and 14,686 shares were held as treasury shares.

During 2011, 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 216.6 million. The differential between the issue price of 232 pence per share and the par value of 5 pence per share amounting to USD 211.8 million was accounted for as share premium which is net of transaction costs amounting to USD 9.3 million.

26 Other reserves

Group

	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Hedging reserve USD'000	Total USD'000
At 1 January 2012	35	(22,422)	(77)	(1,180)	(23,644)
Currency translation differences	–	–	334	–	334
Cash flow hedges	–	–	–	1,180	1,180
Transfer from retained earnings	61	–	–	–	61
At 31 December 2012	96	(22,422)	257	–	(22,069)
Currency translation differences	–	–	(66)	–	(66)
Transfer from retained earnings	2	–	–	–	2
At 31 December 2013	**98**	**(22,422)**	**191**	**–**	**(22,133)**

Legal reserve

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

Merger reserve

On 11 September 2006, LEL acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition has been accounted for using the uniting of interests method and the difference between the purchase consideration (USD 4 million) and the share capital of Inspec (USD 0.2 million) 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 18.7 million) and the nominal value of LEL shares acquired (USD 0.1 million) has been recorded in the Merger reserve.

Company

Other reserve

	2013 USD'000	2012 USD'000
At 1 January	**329,153**	708,852
Impairment during the year (Note 18)	**–**	(379,699)
At 31 December	**329,153**	329,153

The other reserve of USD 329.2 million represents the difference between the cost of the investment in LEL (USD 727.5 million) and the nominal value of share capital issued by the Company to acquire LEL (USD 18.7 million), reduced by the impairment charge of USD 379.7 million recorded in 2012. The other reserve is not available for distribution however this reserve can be utilised to record impairment of investment in LEL (Note 18).

27 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 2013 and 2012 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

	2013 USD'000	2012 USD'000
At 1 January	**38,095**	39,597
Current service cost	**5,287**	5,384
Interest cost	**1,198**	1,582
Actuarial losses/(gains)	**737**	(703)
Benefits paid	**(7,784)**	(7,765)
Liabilities of disposal group classified as held for sale (Note 23)	**(1,487)**	–
At 31 December	**36,046**	38,095

Company

	2013 USD'000	2012 USD'000
At 1 January	**918**	821
Current service cost	**106**	126
Interest cost	**15**	36
Actuarial losses/(gains)	**19**	(65)
Benefits paid	**(983)**	–
At 31 December	**75**	918

Group

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

	2013 USD'000	2012 USD'000
Current service cost	**5,006**	5,275
Interest cost	**1,160**	1,572
Total (included in staff costs) (Note 10)	**6,166**	6,847

Of the total charge, USD 5.4 million (2012: USD 6 million) and USD 0.8 million (2012: USD 0.9 million) are included in cost of sales and general and administrative expenses (Note 6 and 9 respectively).

Company

	2013 USD'000	2012 USD'000
Current service cost	**106**	126
Interest cost	**15**	36
Total (included in staff costs)	**121**	162

The above charge of USD 0.1 million (2012: USD 0.1 million) is included in general and administrative expenses.

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate	**4.25%**	3%
Future salary increase:		
Management and administrative employees	**3%**	2.50%
Yard employees	**2.50%**	2%

27 Provision for employees' end of service benefits continued

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:

Age	Percentage of employees at each age exiting the plan per year 2013	2012
Yard employees:		
20–29 years	**16%**	15%
30–44 years	**10%**	10%
45–54 years	**6%**	7%
55–59 years	**6%**	2%
60 years and above	**100%**	100%
Management and administrative employees:		
20–29 years	**8%**	15%
30–44 years	**6%**	10%
45–54 years	**4%**	7%
55–59 years	**1%**	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%

28 Derivative financial instruments

		2013			2012		
	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 held at fair value through profit or loss	AA-	**1,654**	**161**	**–**	19,203	1,152	–
Total		**1,654**	**161**	**–**	19,203	1,152	–

During 2012, the Group entered into a forward contract to sell USD for Euros. This derivative did not qualify for hedge accounting and is carried at fair value through profit or loss. The notional principal amount at the date of inception of these contracts was Euro 20.8 million. This contract matures in various instalments within 22 months from the date of inception. The fair value at the 31 December 2013 of this derivative was USD 0.2 million. The fair value gain on derivative is recorded in "other gains/(losses) – net" in the consolidated income statement.

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

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 is as follows:

	2013 USD'000	2012 USD'000
Receivable	**1,654**	19,203
Payable	**1,442**	17,487

29 Trade and other payables

	2013 USD'000	2012 USD'000
Trade payables	**31,247**	41,007
Accruals	**203,497**	217,632
Amounts due to customers on contracts	**189,940**	204,234
Dividend payable[1] (Note 33)	**18**	18
	424,702	462,891
Amounts due to customers on contracts comprise:		
Progress billings	**1,116,466**	573,997
Less: Cost incurred to date	**(883,808)**	(361,348)
Less: Recognised profits	**(42,718)**	(8,415)
	189,940	204,234

1 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.

30 Provision for warranty costs

	2013 USD'000	2012 USD'000
At 1 January	**–**	–
Charged during the year	**5,400**	–
At 31 December	**5,400**	–

Warranty costs charged during the year relates to management's assessment of potential claims under contractual warranty provisions.

31 Borrowings

	2013 USD'000	2012 USD'000
Bank overdrafts (Note 22)	**–**	21,813
Bank term loans	**160,751**	137,510
	160,751	159,323
The bank borrowings are repayable as follows:		
Current (less than one year)	**56,493**	159,323
Non-current (two to three years)	**104,258**	–
	160,751	159,323

At 31 December 2013, the Group has banking facilities of USD 781 million (2012: USD 1,022 million) with commercial banks. The facilities include bank overdrafts, letters of guarantees, letters of credit and short-term loans.

Bank facilities are secured by liens over term deposits of USD 67.1 million (2012: USD 115.3 million) (Note 22), the Group's counter indemnities for guarantees issued on their behalf, the Group's corporate guarantees, letter of undertakings, letter of credit payment guarantees, cash margin held against letters of guarantees, shares of certain subsidiaries, certain property, plant and equipment, movable assets, leasehold rights for land and certain contract related receivables.

During the year, the Group secured a new set of debt facilities amounting to USD 181 million with revised covenants. This new arrangement significantly simplifies the Company's lending structure and rationalises the covenants to a common basis. The Group has drawn down USD 160 million out of these facilities, which is used to repay the old debts. The borrowings are stated net of the unamortised arrangement fees and other transaction costs of USD 1.2 million (2012: Nil) and accrued interest of USD 1.9 million (2012: USD 0.7 million).

The banking facilities relating to overdrafts and revolving facilities carry interest at LIBOR +6% to 8% (2012: three to six months LIBOR/EIBOR +2% to 4%).

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

32 Profit of the Company

The profit of USD 0.2 million (2012: USD 27 million) in respect of the Company is included in these consolidated financial statements.

33 Dividends
There were no dividends declared or paid during 2013. At 31 December 2013, unpaid dividends amounted to USD 18,000 (Note 29) and were in relation to the shares held by EBT.

During 2012 (on 23 March 2012), the Board of Directors of the Company approved a final dividend of USD 20.8 million (8 US cents per share) relating to the year ended 31 December 2011 which was paid on 22 June 2012. At 31 December 2012, unpaid dividends amounted to USD 18,000 (Note 29) and were in relation to the shares held by EBT.

34 Exceptional items
Items that are material either because of their size or their nature 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 nature of expense is as follows:

	2013 USD'000	2012 USD'000
Refinancing expenses	**8,414**	–
Regulatory fine	**–**	3,720
Legal fees	**–**	1,000
	8,414	4,720

During 2013, exceptional items relates to the expenses incurred during the process of covenant waivers and refinancing negotiations with lenders amounting to USD 8.4 million, which is shown under finance costs (Note 11).

During 2012, exceptional items relate to a regulatory fine recorded amounting to GBP 2.43 million (USD equivalent 3.72 million converted at an exchange rate of USD 1.53 per GBP) and related legal expenses of USD 1 million, which is shown under general and administrative expenses (Note 9).

35 Commitments
(a) Operating lease commitments
The Group leases land and staff accommodation under various operating lease agreements. The remaining lease terms of the majority of the leases are between four to 20 years and are renewable at mutually agreed terms. The future minimum lease payments payable under operating leases are as follows:

	2013 USD'000	2012 USD'000
Not later than one year	**7,528**	8,791
Later than one year but not later than five years	**11,625**	13,136
Later than five years	**42,002**	43,907
	61,155	65,834

(b) Other commitments

	2013 USD'000	2012 USD'000
Letters of credit for purchase of materials and operating equipment	**1,062**	20
Capital commitments for construction of facilities	**2,241**	5,295
Capital commitments for purchase of operating equipment and computer software	**1,954**	1,163

36 Bank guarantees

	2013 USD'000	2012 USD'000
Performance/bid bonds	**115,140**	159,007
Advance payment, labour visa and payment guarantees	**321,052**	446,235
	436,192	605,242

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 the 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.

37 Cash generated from operating activities

	Notes	Year ended 31 December 2013 USD'000	2012 USD'000 (restated)
Operating activities			
Profit/(loss) before income tax including discontinued operations		**37,534**	(110,386)
Adjustments for:			
Share-based payments – value of services provided		**1,049**	2,348
Depreciation	16	**23,984**	25,466
Amortisation of intangible assets	17	**9,416**	8,534
Share of profit from investment in joint ventures	19	**(1,110)**	(1,053)
Provision for warranty costs	30	**5,400**	–
Loss/(profit) on disposal of property, plant and equipment		**362**	(54)
Fair value loss/(gain) on financial asset at fair value through profit or loss		**–**	195
Provision for slow moving and obsolete inventories	20	**(678)**	139
Provision for impairment of trade receivables, net of amounts recovered	21	**1,172**	4,888
Provision for employees' end of service benefits	27	**6,485**	6,966
Gain on disposal of a subsidiary	12	**–**	(853)
Gain on settlement of receivable from a related party		**–**	(4,265)
Gain on derivative financial instruments		**(501)**	(722)
Gain on settlement of held-to-maturity investment		**–**	(120)
Loss on write-off of intangible assets	9	**–**	4,339
Finance costs	11,23	**23,172**	22,400
Finance income	11	**(975)**	(867)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**105,310**	(43,045)
Payment of employees' end of service benefits	27	**(7,784)**	(7,765)
Changes in working capital:			
Inventories before movement in provision		**1,758**	(1,308)
Proceeds from a related party		**–**	11,290
Derivative financial instruments		**1,492**	–
Trade and other receivables before movement in provision for impairment of trade receivables		**52,937**	265,516
Trade and other payables, excluding movement in dividend payable		**(34,844)**	25,974
Cash generated from operating activities		**118,869**	250,662

38 Events after balance sheet date

On 3 March 2014, the Group has completed the sale of Inspec to Intertek Testing Services Holdings Limited ("Intertek") for a cash consideration of USD 66.2 million. This transaction triggered a mandatory prepayment clause as per the debt facility agreement and accordingly an amount of USD 49.5 million was repaid on 8 March 2014.

The Group has provided a warranty to Intertek of USD 4.75 million with respect to the recovery of certain overdue trade receivables.

Definitions

"AED" – Arab Emirates Dirham

"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

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

"Bn" – Billion

"CBL" – Cleopatra Barges Limited

"CEO" – Chief Executive Officer

"CFO" – Chief Financial Officer

"CGU" – Cash Generating Unit

"CSR" – Corporate Social Responsibility

"Code" – UK Corporate Governance Code 2012

"Company" – Lamprell plc

"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

"ERP" – Enterprise Resource Planning

"ESOP" – Lamprell plc Executive Share Option Plan

"FPSO" – Floating, Production, Storage and Offloading

"FCA" – Financial Conduct Authority

"FTSE" – Financial Times Stock Exchange index

"FZCo" – Free Zone Company

"GBP" – Great Britain Pound

"GIC" – Global Investment Co. Ltd. Inc

"GMAC" – Global Management and Acquisition Co. Ltd Inc

"Group" – The Company and its subsidiaries

"HSE" – Health, Safety and Environment

"IAS" – International Accounting Standards

"IFRIC" – International Financial Reporting Interpretations Committee interpretation

"IFRS" – International Financial Reporting Standards

"INSPEC" – International Inspection Services Limited

"ISO" – International Organisation for Standards

"JIL" – Jebel All Investments Limited

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

"Lamprell" – the Company and its subsidiary undertakings

"LD" – Lamprell Dubai LLC

"LE FZCO" – Lamprell Energy FZCO

"LEL" – Lamprell Energy Limited

"LHL" – Lamprell Holdings Limited

"LIH" – Lamprell Investment Holdings Limited

"LIT" – Litwin PEL Co. LLC

"LS" – Lamprell Sharjah WLL

"LSE" – London Stock Exchange Limited

"LTI" – Lost Time incident

"m" – Million

"Mercer" – Mercer Consulting Middle East Limited

"MIAS" – Maritime International Agency Services Ltd

"MIL" – Maurlis International Ltd. Inc

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

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

"MISCLP" – Maritime Industrial Services Co. Ltd. & Partners

"MISQWLL" – MIS Qatar LLC

"MOL" – Maritime Offshore Limited

"MOCL" – Maritime Offshore Construction Limited

"MOS" – Millennium Offshore Services

"NDC" – National Drilling Company

"NED" – Non-Executive Director

"O&M" – Operations & Maintenance

"OHSAS" – Occupational Health and Safety Assessment Series

"PSP" – Lamprell plc 2008 Performance Share Plan

"QA/QC" – Quality Assurance, Quality Control

"RIM" – Rig Metals LLC

"TSR" – Total Shareholder Return

"UAE" – the Federation of the United Arab Emirates

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

"USD" or **"US$"** – US Dollar

"US GAAP" – Generally Accepted Accounting Principles

Notes

Notes

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